SHL GROUP HOLDINGS 1 LIMITED (formerly SURREY 1 LIMITED)
ANNUAL REPORT AND ACCOUNTS
FOR THE 16 MONTH PERIOD ENDED 31 DECEMBER 2007

Registered Number: 5919061

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REGISTERED OFFICE: The Pavilion, 1 Atwell Place, Thames Ditton, Surrey, KT7 0NE

DIRECTORS' REPORT

The directors present their directors' report and the audited consolidated financial statements of SHL Group Holdings 1 Limited ("SHL"), formerly Surrey 1 Limited, for the period from incorporation on 30 August 2006 to 31 December 2007

PRINCIPAL ACTIVITIES

The Company was incorporated as Surrey 1 Limited on 30 August 2006 and the name was subsequently changed to SHL Group Holdings 1 Limited on 5 March 2007 Its acquisition of SHL Group Plc on 18 October 2006 is described below

Since 18 October 2006 the principal activity of SHL has been the development, implementation and sale of objective assessment products (delivered by both internet and paper and pencil) and services which allow our clients to measure and predict behaviours of our client workforce Objective assessment ensures that our customers recruit better people and develop them more effectively to increase productivity and organisational performance

ACQUISITION OF SHL GROUP PLC

On 13 September 2006, SHL Group Holdings 4 Limited, a fully owned subsidiary of SHL Group Holdings 1 Limited (formerly Surrey 1 Limited), made a cash offer of £1 80 per share for SHL Group Plc, valuing the company at approximately £100m The offer was unconditionally accepted by the shareholders on 18 October 2006 and, accordingly, the results of SHL Group Limited have been consolidated into these accounts from that date

BUSINESS REVIEW

These are the first financial statements for SHL Group Holdings 1 Limited since its incorporation on 30 August 2006, and therefore sixteen months of results are shown with no comparatives SHL made an operating profit of £1 5m in the 16 month period The main trading business, SHL Group Limited, which was acquired on 18 October 2006, traded throughout 2006 and 2007, so the rest of this review covers the twelve months to 31 December 2007 of that company ('the SHL Group') Where comparatives are given, these refer to the twelve months to 31 December 2006 of SHL Group Limited

The SHL Group had a strong year with revenues growing by 11% (2006 6%) to £80 0m (2006 £72 0m) driven largely by growth in product revenues which grew by 13% In line with the SHL Group's strategy, our web-based revenues grew by 28% (2006 39%) to £26 3m (2006 £20 6m) continuing the trend we have enjoyed over the last few years The Group's Assessment Services had a solid year with growth in the period of 7 4%

Operating profit stated before goodwill amortisation, management buyout and transition costs was £10 5m (2006 £7 5m) reflects significant growth in the Product business Focus on our sales teams has led to product sales heads growing from 100 to 143 in the year, which we hope will drive further revenue growth in 2008 There were significant costs related to the management buy-out (£0 7m) and Project Transition (£4 3m) Project Transition related to one-off costs associated with shaping the business of the future discussed elsewhere This includes outsourcing of some of our IT function, as well as investment in the growth and training of our sales team, and in the restructure of the SHL Group from having a regional focus to being functionally organised It is anticipated that there will be further costs in 2008

During the period, the SHL Group disposed of its holding in SHL Japan and its conference centre, Woodstock House, as it focuses its operations on Product and Assessment Whilst generating cash (£14 5m), these disposals generated a combined book loss of £4 1m Similarly, during the period, as part of our shaping the business of the future, the SHL Group outsourced its IT service delivery function to Capgemini UK Plc This resulted in a loss of £1 6m on disposal of IT assets but will deliver improvements to operating profits going forward

As a consequence of these transactions, the SHL Group generated a loss before interest and tax of £2 7m (2006 profit £4 6m)

The marketplace remains competitive and customers are continually demanding greater value The SHL Group's management team are pleased that they have continued to deliver good service and increasing revenues whilst maintaining effective control over costs

The SHL Group ended the year with 1,200 members in its SHL partner network (SPN) representing a 79% increase in membership from the same period last year SPN members are independent organisations, typically consultancy companies, who make use of SHL products to deliver services to their clients

Average revenue per sales head for the year was £0 5m and we anticipate this increasing through 2008 as our new recruits become fully productive

Shaping the Business for the Future

The SHL Group has continued its investment for the future through 2007 and will continue to do so in 2008 The main areas of focus are substantial investment in our sales, technology and backoffice capabilities This will continue to cause some dilution of profits in the first half of 2008 with further transition and capital expenditure likely This investment is intended to secure our goal of being the dominant supplier of web-based objective assessment and becoming the supplier of choice for clients, candidates and channel providers

Financial Key Performance Indicators

The financial key performance indicators used in the business are number of product sales people, revenue per sales head, number of partners and capital expenditure The performance of the business in terms of these indicators is described above

Disposal Of Operations

On 18 May 2007, the Group disposed of its interest in an associate, SHL Japan Co Ltd, and recorded a loss on sale of £3 7m

PRINCIPAL RISKS AND UNCERTAINTIES

Business Risks

SHL's principal activity is the provision of web-based psychometric assessment, of which a substantial proportion is delivered online The key risk associated with this is continuity of web service

We are currently undertaking a detailed review of our business continuity planning to ensure it is robust and focuses on the continuance of service to customers, our own business processes and the security of candidates The management team are committed to ensuring the plan is first class

As mentioned overleaf, SHL is also going through a period of substantial change driven by the Project Transition With any change, there is a related execution risk, which SHL has identified and is mitigating as part of the project

Exchange Rate And Interest Rate Risk

SHL is exposed to exchange rate and interest rate risk through its regular trading activity and interest rate risk from the level of loans Details of these risks and its policies for mitigating them are disclosed in note 17

PROPOSED DIVIDEND

The directors do not recommend the payment of a dividend

POLICY ON PAYMENT TO SUPPLIERS

Where the supply of goods and services is satisfactory and in the absence of any dispute, the SHL's policy is to pay suppliers in accordance with the terms agreed prior to the supply of goods and services Where no such agreement exists SHL's policy is to pay suppliers in accordance with the terms contained in the invoice SHL seeks to treat all its suppliers fairly, but does not follow any published code or standard on payment practice The amount of trade creditors shown in the consolidated balance sheet at 31 December 2007 represents 46 days of average purchases (based on the aggregate amounts invoiced by suppliers during the period) for SHL

DIRECTORS AND DIRECTORS' INTERESTS

The directors who held office during the period were as follows

J E G Bateson	Appointed on 23 October 2006
E V Lancaster	Appointed on 23 October 2006
K Kerrigan	Appointed on 23 October 2006 and resigned on 14 December 2007
C J Sandham	Appointed on 1 October 2006
R Lincoln	Appointed on 30 August 2006
L J Stone	Appointed on 4 September 2006
A King	Appointed on 30 August 2006 and resigned on 13 September 2006
Instant Companies Limited	Appointed at incorporation and resigned on 30 August 2006

At 31 December 2007, the Directors held the following disclosable interest in the shares

J E G Bateson	187,500
E V Lancaster	93,750
C J Sandham	35,157

EMPLOYEES

SHL continues to place a high emphasis on mutually beneficial relationships with its employees whom it regards as essential to SHL's future prosperity Employees are provided with information on matters of interest to them and are kept apprised of the financial progress of SHL SHL wishes to encourage a positive atmosphere in which all employees are encouraged to progress within the organisation, and has recently undertaken a survey of staff opinions

SHL has always recognised that the training and development of its employees is key to ensuring the achievement of the Group's objectives To ensure the continued development of the Group's employees, the Group is committed to the principles of The National Standard for Investors in People SHL (UK) Ltd has held the Investors in People certificate since July 1995 and was re-accredited in February 2005, with renewal due in April 2008

SHL puts great emphasis on providing equality of opportunity for employees and in particular ensures that fair selection and development procedures apply The aim of our policy is to ensure that no job applicant or employee receives less favourable treatment on the grounds of age, sex, sexual orientation, disability, marital status, colour, religion, race or ethnic origin, or is disadvantaged by conditions or requirements which can not be shown to be justifiable In the event of an employee becoming disabled whilst in the Group's employment, we will work to ensure that they can continue in their employment as far as is practicable

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Company and its subsidiaries did not make any political donations in the period but made charitable donations of £16,000

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting

By Order of the Board

SUZANNA BARRETT
Company Secretary
13 March 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial period Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985 They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities

KPMG

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SHL GROUP HOLDINGS 1 LIMITED (FORMERLY SURREY 1 LIMITED)

We have audited the group and parent company financial statements (the "financial statements") of SHL Group Holdings 1 Limited (formerly Surrey 1 Limited) for the 16 month period ended 31 December 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses, the Reconciliations of Movements in Shareholders' Funds and the related notes These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 6

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2007 and of the group's loss for the 16 month period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor
8 Salisbury Square
LONDON EC4Y 8BB

31 March 2008

CONSOLIDATED PROFIT AND LOSS ACCOUNT
16 Month Period Ended 31 December 2007

	Notes	16 months ended 31 December 2007 £m
Group turnover	2	**97.2**
Cost of sales		(48 1)
Gross profit		**49.1**
Other operating income	3	1 1
Administrative expenses		(41 9)
Management buy out costs	5	(2 5)
Transition costs	5	(4 3)
Total administrative expenses		(48 7)
Group operating profit	5	**1.5**
Share of operating profit of associate		0 5
Total operating profit	5	**2 0**
Loss on disposal of fixed assets	6	(0 2)
Loss on disposal of investments	12	(3 7)
Loss on closure of business	7	(0 4)
		(4 3)
Interest receivable and similar income		0 3
Interest payable and similar charges		(16 9)
Net financing costs	8	(16 6)
Loss on ordinary activities before taxation		**(18.9)**
Taxation on loss on ordinary activities	9	0 3
Loss for the period		**(18.6)**

All results relate to the period subsequent to the acquisition of SHL Group Plc on 18 October 2006

The share of operating profit of associate refers to the period up to 18 May 2007 when the Group disposed of its 26 4% shareholding in SHL Japan Co Ltd, and this is therefore now discontinued

CONSOLIDATED BALANCE SHEET
As at 31 December 2007

		2007 £m
Fixed assets		
Intangible assets	10	68 0
Tangible assets	11	10 7
		78 7
Current assets		
Stock	13	0 3
Debtors	14	27 8
Cash and short term deposits		5 5
		33 6
Creditors: amounts falling due within one year	15	(25 9)
Net current assets		7 7
Total assets less current liabilities		86 4
Creditors: amounts falling due after more than one year	16	(102 2)
Provisions for liabilities and charges	18	(0 3)
Net liabilities		(16 1)
Capital and reserves		
Called up share capital	20	2 3
Profit and loss account	21	(18 4)
Equity shareholders' funds		(16 1)

These financial statements were approved by the board of directors on 13 March 2008 and signed on its behalf by

John Bateson

Emma Lancaster

COMPANY BALANCE SHEET
As at 31 December 2007

	Notes	2007 £m
Fixed assets		
Investments	12	1 8
Current assets		
Debtors	14	0 9
Cash and short term deposits		0 1
		1 0
Creditors: amounts falling due within one year	15	(0 6)
Net current assets		0 4
Total assets less current liabilities		2 2
Net assets		2 2
Capital and reserves		
Called up share capital	21	2 3
Profit and loss account	21	(0 1)
Equity shareholders' funds		2 2

These financial statements were approved by the board of directors on 13 March 2008 and signed on its behalf by

John Bateson

Emma Lancaster

CONSOLIDATED CASH FLOW STATEMENT
16 Month Period Ended 31 December 2007

	Notes	16 months ended 31 December 2007 £m
Net cash inflow from operating activities	24	6 4
Dividends from associate	12	0 2
Return on investments and servicing of finance		
Interest received		0 3
Interest paid		(13 7)
Net cash outflow from return on investments and servicing of finance		(13 4)
Taxation		(1 3)
Capital expenditure		
Purchase of tangible fixed assets		(6 3)
Sale of tangible fixed assets		7 5
Net cash inflow from capital expenditure		1 2
Acquisitions and disposals		
Acquisition of business	19	(102 3)
Cash acquired with subsidiary	19	4 9
Closure of business		(0 2)
Sale of investment in associate	12	7 0
Net cash outflow from acquisitions and disposals		(90 6)
Net cash outflow before use of financing		(97 5)
Net cash inflow from financing		
Issue of ordinary share capital		2 3
Payment on cancellation of share options	21	(1 8)
Debt due within one year		
Increase in short-term borrowing		4 0
Debt due after more than one year		
New secured loans repayable from 2013 to 2016		103 2
Expenses paid in obtaining financing	25	(4 7)
Net cash inflow from financing		103 0
Increase in cash in the period		**5 5**

Reconciliation of net cash flow to movement in net debt

	Notes	£m
Increase in cash in the period	25	(5 5)
Cash inflow from increase in debt and lease financing		107 2
Cash outflow from expenses paid in obtaining finance		(4 7)
Non-cash adjustment		0 6
Translation differences		2 2
Movement in net debt in the period		**99.8**
Net debt in the start of the period		0 0
Net debt at the end of the period		**99.8**

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
16 Month Period Ended 31 December 2007

	16 months ended 31 December 2007 £m
Loss for the period	
Group	(18 9)
Associate	0 3
	(18 6)
Net exchange differences on the retranslation of net investments	2 0
Total recognised gains and losses relating to the period	(16 6)

RECONCILIATIONS OF MOVEMENTS IN SHAREHOLDERS' FUNDS
16 Month Period Ended 31 December 2007

	Group 16 months ended 31 December 2007 £m	Company 16 months ended 31 December 2007 £m
Retained loss for the period	**(18.6)**	**(0.1)**
Shares issued	2 3	2 3
Exchange adjustments	2 0	-
Employee share scheme payment for share options	(1 8)	-
Net addition to /(reduction in) increase in shareholders' funds	**(16.1)**	**2.2**
Opening shareholders' funds	-	-
Closing shareholders' funds	**(16.1)**	**2 2**

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

(A) BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost rules

The Group has net liabilities of £16 1m at 31 December 2007 The directors consider that the Group has access to sufficient funding to meet its liabilities as they fall due for the foreseeable future As at 31 December 2007 it had access to £6m of unutilised facilities In addition, £97m of its liabilities fall due in over five years and business plans show significant cash generation over the next three years Accordingly, the directors have prepared the financial statements on a going concern basis

(B) BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December each year The acquisition method of accounting has been adopted Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal

An associate is an undertaking in which the Group has a long term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence The Group's share of the profits less losses of associates is included in the consolidated profit and loss account, and its interest in their net assets is included in investments in the consolidated balance sheet

Under section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account

(C) GOODWILL AND NEGATIVE GOODWILL

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation is capitalised Positive goodwill is amortised to nil by equal annual instalments over twenty years, or its estimated useful life, if less

On the subsequent disposal or termination of a business, the profit or loss on disposal or termination is calculated after charging the unamortised amount of any related goodwill

In the Company's financial statements, investments in subsidiary undertakings are stated at cost, and reviewed annually for impairment

(D) INTANGIBLE FIXED ASSETS

Intangible assets acquired as part of an acquisition are capitalised at their fair value where this can be measured reliably

(E) TANGIBLE FIXED ASSETS

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Freehold land	Nil
Freehold buildings	2% straight line
Leasehold property	Over period of lease
Equipment, furniture and fittings	25% straight line
Motor vehicles	25% reducing balance
Computer equipment	25% to 33% straight line

The cost of computer software development is capitalised as part of the related computer hardware where it is directly attributable to bringing an IT system into working condition for its intended use, and can be separately identified

Computer software is amortised on a straight line basis to write the cost down to nil over three to four years

(F) FOREIGN CURRENCIES

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

1. ACCOUNTING POLICIES (continued)

The assets and liabilities of overseas subsidiary undertakings and associated undertakings are translated at the closing exchange rates Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the period Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings

(G) STOCK

Stock mainly comprises questionnaires and associated materials for resale and is valued at the lower of cost and estimated net realisable value, after making due allowance for obsolete and slow moving items Work in progress principally comprises costs in respect of consultancy projects started but not completed at the period end, where the projects are forecast to be profitable

(H) LEASES

Rentals under operating leases are charged on a straight line basis over the lease term

Leases of fixed assets, where substantially all the risks and benefits associated with the ownership of the asset are transferred to the Group, are classified as finance leases Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value Leased assets are amortised over their estimated useful lives Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period

(I) POST RETIREMENT BENEFITS

The Group operates a number of defined contribution pension schemes The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period The assets of the schemes are held separately from those of the Group in independently administered funds

(J) RESEARCH AND DEVELOPMENT

Research and development expenditure is written off to the profit and loss account in the period in which it is incurred

(K) TAXATION

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

(L) TURNOVER

Turnover in the profit and loss account represents the value of goods and services provided to external clients net of VAT The underlying principle is to recognise revenue when the significant risks and rewards of ownership have been transferred to the client

Revenues for physical product (Paper & Pencil, and PC related products) are recognised on delivery Web-based revenues are separated into three elements implementation revenues are recognised at the point at which a website has been installed and accepted by the client, the product element of annuities is recognised at the point they are made available for the client's use, and the service element of annuities is recognised over the contractual support period

Assessment Services revenue is recognised in the income statement over the life of the project, in proportion to the stage of completion of the transaction at the balance sheet date Revenue on 'time and materials' contracts is recognised based on the number of days completed and the agreed daily rate Revenue on fixed price contracts is recognised following prudent assessment of services delivered

(M) OWN SHARES HELD BY ESOP TRUST

Transactions of the Company-sponsored ESOP trust are treated as being those of the Company and are therefore reflected in the parent company and group financial statements In particular, the trust's purchases of shares in the Company are debited directly to equity

(N) CASH AND LIQUID RESOURCES

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts repayable on demand

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market Liquid resources comprise term deposits of less than one year (other than cash)

2. SEGMENTAL INFORMATION

Turnover is attributable to the principal activities of the Group, and all relates to the period subsequent to the acquisition of SHL Group Plc on 18 October 2006

The analysis by geographical region is

	2007 16 mths £m
UK, Ireland and South Africa	40 7
Continental Europe	35 2
North America	7 3
Asia Pacific	14 0
	97 2

The analysis by business segment is

	2007 16 mths £m
Product	66 2
Assessment Services	29 6
Other	1 4
	97 2

Group turnover falls into three categories Product, Assessment and Other Product turnover includes sales of traditional paper and pencil products, as well as those delivered via internet or PC methods, plus training courses run to ensure professional use of these products Assessment turnover relates to consultant based business which delivers tailored solutions to clients Other includes external sales by the UK Conference Centre

3. OTHER OPERATING INCOME

	2007 16 mths £m
Licence fee from associate	0 1
Royalty income due from distributors	1 0
	1 1

NOTES TO THE ACCOUNTS (CONTINUED)

4. STAFF COSTS AND PENSION SCHEMES

	2007 16 mths £m
Staff costs including directors' remuneration were as follows	
Wages and salaries	39 5
Social security costs	4 1
Pension and other costs	4 8
	48 4

	2007 16 mths
The average weekly number of employees during the period was as follows	
Managers	33
Consultants	205
Sales and marketing	162
Finance & accounting	57
IT support	44
Administration	111
Other	56
	668

The Group operates a number of defined contribution pension schemes The cost of the schemes for the 16 month period ended 31 December 2007 was £2 3m At 31 December 2007, there was an accrual of £0 1m in respect of pension contributions

Directors' Remuneration

The remuneration of the executive and non-executive directors of the Company was as follows

	2007 16 mths £m
Salary & fees	1 0
Bonus	0 4
Compensation for loss of office	0 2
	1 6

Pension contributions for directors during the period amounted to £0 1m The non-executive directors were not entitled to any pension contributions The highest paid director was paid £0 7m including pension contributions of £0 1m

5. OPERATING PROFIT

	2007 16 mths £m
Operating profit is stated after charging	
Depreciation	4 7
Amortisation	4 4
Operating lease rentals	2 5
Management buy-out costs (see below)	2 5
Transition costs (see below)	4 3
Research and development expensed as incurred	5 4

The management buy-out costs were incurred when SHL Group Holdings 1 Limited (formerly Surrey 1 Limited) acquired SHL Group Plc and primarily include professional advisors' fees The transition costs include redundancy and consultancy fees and relate to the reorganisation of business activities following the management buy-out

	2007 16 mths £m
Fees paid to auditors	
Audit of these financial statements	0 1
Audit of the financial statements of subsidiaries pursuant to legislation	0 2
Services relating to the management buy out	0 2
Tax compliance and advisory	0 1
	0 6

Amounts paid to the Company's auditors in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is disclosed on a consolidated basis

6. LOSS ON DISPOSAL OF FIXED ASSETS

In June, the Group disposed of the Woodstock House property, as a result of a strategic decision to focus on its core business, for a profit on disposal of £1 4m

Also during the period, part of the in-house IT function was outsourced requiring the Group to dispose of related IT assets A loss on disposal of £1 6m was incurred

These items have no impact on the taxation charge

7. LOSS ON CLOSURE OF BUSINESS

As a result of the disposal of the Woodstock House property, the accommodation and conference business the Group operated from that venue was closed in December 2007 The closure of business costs amounted to £0 4m

The effect of this item is to decrease the taxation charge by £0 1m

8. NET INTEREST PAYABLE AND OTHER SIMILAR CHARGES

	2007 16 mths £m
Bank interest	0 3
Total interest receivable and similar income	0 3
Bank interest	(6 6)
Other interest and charges	(7 8)
Net exchange losses	(2 5)
Total interest payable and similar charges	(16 9)
Net interest payable and other similar charges	(16 6)

9. TAXATION

Analysis of credit in period

		2007 16 mths £m
UK corporation tax at 30%		
Current tax on income for the period	(0 1)	
Adjustment in respect of prior periods	0 7	
		0 6
Foreign tax		
Current tax	(2 9)	
Adjustment in respect of prior periods	0 6	
		(2 3)
Associate tax		(0 1)
Total current tax		(1 8)
Deferred tax		
Original and reversal of timing differences		2 1
Taxation on loss on ordinary activities		0 3

	2007 £m
Group	0 4
Share of associate	(0 1)
Taxation on loss on ordinary activities	0 3

The tax assessed for the period is lower than the standard rate of UK corporation tax (30%) The differences are explained below

	2007 16 mths £m
Loss on ordinary activities before taxation	(18 9)
Loss on ordinary activities at the standard rate of UK corporation tax of 30%	5 7
Effects of	
Higher tax rates on overseas earnings	(0 3)
Non-deductible expenses	(4 7)
Prior period adjustments	(1 3)
Tax on overseas losses	(0 1)
Tax losses available for future offset	(1 0)
Non recoverable withholding tax	(0 1)
Current tax on loss on ordinary activities	(1 8)

10. INTANGIBLE FIXED ASSETS

GROUP	Goodwill £m
Cost	
Arising on acquisition	72 5
At 31 December 2007	72 5
Amortisation	
Charge for the period	4 5
At 31 December 2007	4 5
Net book value	
At 31 December 2007	68 0

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises Goodwill is amortised over twenty years for the acquisition

11. TANGIBLE FIXED ASSETS

GROUP	Freehold Land & Buildings £m	Leasehold Property £m	Equipment & Fixtures £m	Total £m
Cost				
Acquired with subsidiary	7 1	2 5	23 7	33 3
Exchange movements	-	0 1	0 3	0 4
Additions	-	-	6 3	6 3
Disposals	(7 1)	-	(3 3)	(10 4)
At 31 December 2007	-	2 6	27 0	29 6
Depreciation				
Acquired with subsidiary	1 1	1 1	14 4	16 6
Exchange movements	-	-	0 4	0 4
Charge for the period	0 1	0 3	4 3	4 7
Disposals	(1 2)	-	(1 6)	(2 8)
At 31 December 2007	-	1 4	17 5	18 9
Net book value				
At 31 December 2007	-	1 2	9 5	10 7

Included within equipment and fixtures additions in the period is £4 4m relating to the new customer system which the Group is in the process of installing The majority of this was not depreciated during the period, depreciation will commence in 2008 when it is brought into use

12. INVESTMENTS

GROUP

	Investment in Associated Undertaking £m
At the beginning of the period	-
Acquired with subsidiary	10 4
Disposals	(10 2)
Exchange movements	(0 3)
Post tax profits	0 3
Dividends received	(0 2)
At 31 December 2007	-

During the year the Group disposed of its 26 4% shareholding in SHL Japan Co Ltd for £7 0m The resulting loss on disposal amounted to £3 7m

COMPANY

	Equity in Subsidiary Undertakings £m
Cost	
At the beginning of the period	-
Additions	1 8
At 31 December 2007	1 8

Details of investments in subsidiary and associated undertakings are given in note 28

13. STOCK

GROUP

	2007 £m
Finished goods for resale	0 3
	0 3

14. DEBTORS

	Group 2007 £m	Company 2007 £m
Due within one year		
Trade debtors	20 3	-
Amounts owed by group undertakings	-	0 7
Other debtors	1 4	0 2
Corporation tax recoverable	1 1	-
Prepayments and accrued income	2 2	-
Total debtors due within one year	25 0	0 9
Due after more than one year		
Deferred tax	2 8	-
Total debtors	27 8	0 9

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2007 £m	Company 2007 £m
Bank loans and overdrafts	3 6	-
Trade creditors	4 0	-
Amounts owed to group undertakings	-	0 6
Other creditors	6 1	-
Taxation and social security	3 6	-
Accruals and deferred income	8 6	-
	25 9	0 6

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2007 £m
Bank loans and overdrafts	46 9
Other loans	54 8
Other creditors	0 5
	102 2

The Group has entered into the following loan agreements with CIT Capital Finance (UK) Limited

- a £6m multi-currency revolving credit facility
- a £9m capex facility to be repaid in instalments over 2010 - 2013
- £24m of euro denominated senior debt (known as Senior A and B), of which part is to be repaid in instalments over 2007 to 2013, and part is to be repaid on 31 December 2014
- £13m senior debt (known as Senior C), which is to be repaid on 31 December 2015
- £12m Mezzanine debt, which is due to be repaid on 31 December 2016

These facilities are secured by a fixed and floating charge over the Company, all the Group's UK incorporated subsidiaries and a number of its foreign incorporated subsidiaries Interest rates are payable on the loans at the following margins above either sterling LIBOR, or in relation to the euro-denominated loans, EURIBOR

Revolving credit and capex facilities	1 25 - 2 25%
Senior A	1 25 - 2 25%
Senior B	2 25 - 2 75%
Senior C	3 25%
Mezzanine	4 5 - 5%

The Company's direct subsidiary, SHL Group Holdings 2 Ltd, has entered into a loan agreement with HG Pooled Management Ltd, which is due to be repaid by 31 December 2016 Interest is accrued at a rate of 11%

These loan amounts fall due

	2007 £m
Within 1 year	3 6
Within 2-5 years	4 8
After 5 years	96 9
	105 3

17. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The Board approves treasury policy The principal objective of the Group's treasury policy is the management and control of risks to earnings and net assets that arise because of the international nature of the Group's business It is a fundamental principle that the Group does not speculate in the currency markets nor enter into artificial treasury transactions that may enhance earnings at the expense of net assets Currency exposure arising from the translation of assets held overseas in sterling is hedged to some extent by borrowing in foreign currencies

The Group may enter derivative contracts to protect specific interest rate or currency exposure

Short-term debtors and creditors that meet the definition of a financial asset or liability under FRS 13 *Derivatives and other financial investments* have been excluded from the disclosures as permitted by the Standard

Financial assets

The interest rate profile of the financial assets of the Group was as follows

		2007 £m
Cash at bank	- non-interest bearing	3 4
	- interest bearing at floating interest rates	1 9
Short term deposits at floating interest rates		0 2
		5 5

The weighted average interest rate on interest bearing cash and short-term deposits at 31 December 2007 was 3 4%

The cash was held by the Company and subsidiaries in local as well as major currencies (euro, US and Australian Dollar) The principal currencies held were euros (£7 3m), US Dollars (£2 0m), Australian Dollars (£1 3m) and South African Rand (£0 6m) Cash held in the UK, other than sterling, was represented by euros, US Dollars and Australian Dollars The Nordics business entities also held cash in euros in addition to their local currencies

Financial liabilities

The Group's fixed rate financial liabilities comprise only the Hg loan notes, as disclosed in note 16 The currency profile of the financial liabilities is as follows

	2007 £m
Euros	23 2
Sterling	82 1
	105 3

These financial liabilities fall due in more than one year (note 16)

Hedging

During the period, various foreign currency hedges were used to fix exchange rates on known currency inflows (most particularly in relation to the sale of Japan) None of these remained in place at year-end

During the year, the Group entered into a number of interest hedges to cover its exposure on the variable interest rates of the Senior and Mezzanine debts All expire on 31 December 2011 The amounts hedged, and details of the hedges are as follows

Loan	Type of hedge	Fixed rate	Value at 31 December 2007
Senior A	Swap	4 055%	€10 0m
Senior B	Swap	4 35%	€6 2m
Senior B	Cap	4 35%	€10 5m
Senior C	Swap with floor	6 00%	£8 4m
Senior C	Swap	5 45%	£2 5m
Mezzanine	Swap with floor	6 00%	£7 6m
Mezzanine	Swap	5 45%	£2 5m

Fair value of financial assets, financial liabilities and hedging

There are no material differences between the carrying values and the fair values of the financial assets and financial liabilities disclosed above The fair value of derivatives is not recognised on the balance sheet in accordance with UK GAAP The fair value of derivatives held at 31 December 2007 is not significant and accordingly has not been disclosed

18. PROVISIONS FOR LIABILITIES AND CHARGES

GROUP

The movement in the provisions for liabilities and charges has been

	Onerous Leases £m
At the beginning of the period	-
Acquired with subsidiary	0 3
At 31 December 2007	0 3

The movement in deferred tax has been

	Assets £m	Liabilities £m	Total £m
At the beginning of the period	-	-	-
Acquired with subsidiary	(0 2)	0 9	0 7
Credit for the period	0 2	1 9	2 1
At 31 December 2007	-	2 8	2 8

The elements of deferred taxation are as follows

	£m
Difference between accumulated depreciation and amortisation and capital allowances	2 4
Other timing differences	0 4
Net deferred tax asset at 31 December 2007	2 8

No discounting is made for deferred tax

19. ACQUISITIONS

On 18 October 2006 the Group acquired all of the ordinary shares of SHL Group Plc The resulting goodwill of £72 5m has been capitalised and will be written off over 20 years

GROUP	Book value £m	Re-valuation £m	Accounting policy alignment £m	Fair value £m
Fixed Assets:				
Tangible	14 0	2 7	-	16 7
Investments	2 2	8 2	-	10 4
Current Assets				
Stock	0 6	-	-	0 6
Debtors	20 0	-	-	20 0
Cash	4 9	-	-	4 9
Total assets	**41.7**	**10.9**	**-**	**52.6**
Current liabilities				
Provisions	0 9	-	-	0 9
Creditors	22 6	-	(0 7)	21 9
Total liabilities	**23.5**	**-**	**(0.7)**	**22 8**
Net assets	**18.2**	**10.9**	**0.7**	**29.8**
Goodwill				**72.5**
Purchase consideration and costs of acquisition				**102.3**

The value of the Woodstock House property was adjusted in line with a revaluation performed by an independent surveyor near the date of the acquisition

The Group's 26 4% shareholding in SHL Japan Co Ltd was revalued to the share price at the date of acquisition

The accounting policy alignment relates to lease incentives in the UK and Australia, which are released to the income statement over the period to the first break clause under UK GAAP, which is followed by SHL Group Holdings 1 Limited SHL Group Plc reported results under IFRS, which requires the lease incentive to be released over the full length of the lease

The acquired undertaking made a profit before tax of £4 4m from the beginning of its financial year to the date of acquisition In its previous financial year the profit before tax was £4 8m

In the twelve months prior to the acquisition provisions of £0 5m were made for reorganisation and restructuring costs and these are included in creditors above

20. SHARE CAPITAL

	2007 £m
Authorised, allotted, called up and fully paid	
2,343,752 ordinary shares of £1 each	2 3

During the period the Company issued £2,343,652 £1 ordinary shares for a consideration of £2,343,652, settled in cash

21. SHARE CAPITAL AND RESERVES

GROUP

	Share Capital £m	Profit & Loss Account £m	Total £m
At the beginning of the period	-	-	-
Exchange movements	-	2 0	2 0
Shares issued in period	2 3	-	2 3
Loss for the period	-	(18 6)	(18 6)
Employee share scheme payment for share options	-	(1 8)	(1 8)
At 31 December 2007	2 3	(18 4)	(16 1)

Following the acquisition of SHL Group Plc on 18 October 2006 by the Group, all share schemes in SHL Group Plc were settled resulting in a £1 8m charge to reserves

COMPANY

	Share capital £m	Profit & Loss Account £m	Total £m
At the beginning of the period	-	-	-
Shares issued	2 3	-	2 3
Loss for the period	-	(0 1)	(0 1)
At 31 December 2007	2 3	(0 1)	2 2

22. CONTINGENT LIABILITIES

The Company has contingent liabilities in respect of guarantees given in the normal course of trade on behalf of subsidiary undertakings

23. COMMITMENTS

At 31 December 2007, the Group had contracted capital commitments of £0 1m for which no provision has been made

At 31 December 2007 the annual commitments under non-cancellable operating leases were as follows

	Group 2007 £m
Land and buildings	
Operating leases which expire	
Within one year	0 7
In the second to fifth years inclusive	0 9
Over five years	1 6
	3 2
Other	
Operating leases which expire	
Within one year	0 1
In the second to fifth years inclusive	0 5
	0 6

These amounts exclude future minimum sublease payments expected to be received under non-cancellable sublease amounting to £0 2m

The Company had no contracted annual commitments under non-cancellable operating leases

24. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOW

	2007 £m
Operating profit	1 5
Depreciation, amortisation and impairment charges	9 1
Decrease in stock	0 3
Increase in debtors	(6 7)
Increase in creditors	2 2
Cash inflow from operating activities	6 4

25. ANALYSIS OF NET DEBT

	At the beginning of the period	Cash inflow from financing	Cash outflow from expenses	Other non-cash adjustments	Translation differences	At the end of the period
	£m	£m	£m	£m	£m	£m
Cash at bank and in hand	-	5 5	-	-	-	5 5
	-	5 5	-	-	-	5 5
Debt due after 5 years	-	(96 9)	1 5	-	(1 5)	(96 9)
Debt due between 2 and 5 years	-	(6 3)	2 1	-	(0 6)	(4 8)
Debt due within one year	-	(4 0)	1 1	(0 6)	(0 1)	(3 6)
	-	(107 2)	4 7	(0 6)	(2 2)	(105 3)
Total	-	(101 7)	4 7	(0 6)	(2 2)	(99 8)

26. RELATED PARTY TRANSACTIONS

The Group charged fees of £0 1m for the use of intellectual property rights to SHL Japan Co Ltd, an associated undertaking until 18 May 2007 when the Group disposed of its shareholding in the company

27. ULTIMATE PARENT COMPANY AND PARENT UNDERTAKING OF LARGER GROUP

The Company is the ultimate controlling party and is the largest group into which the Company will be consolidated No other group financial statements include the results of the Company The consolidated financial statements of the Group are available to the public and may be obtained from the Registrar of Companies

NOTES TO THE ACCOUNTS (CONTINUED)

28. INVESTMENTS IN SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

	Country of incorporation	Effective Holding
SUBSIDIARY UNDERTAKINGS - DIRECTLY OWNED		
SHL Group Holdings 2 Limited	UK	100%
SUBSIDIARY UNDERTAKINGS - INDIRECTLY OWNED		
SHL Group Holdings 3 Limited	UK	100%
SHL Group Holdings 4 Limited	UK	100%
SHL Group Limited	UK	100%
SHL (UK) Limited	UK	100%
Saville & Holdsworth Group Limited	UK	100%
Saville & Holdsworth Limited	UK	100%
Advanced Personnel Technology Limited	UK	100%
SHL USA Inc	USA	100%
Saville & Holdsworth International BV	Netherlands	100%
Savhold BV	Netherlands	100%
SHL France SAS	France	100%
Saville & Holdsworth Canada Inc	Canada	100%
Saville & Holdsworth Australia Pty Limited	Australia	100%
SHL Italy S r l	Italy	100%
SHL Hong Kong Limited	Hong Kong	100%
SHL New Zealand Limited	New Zealand	100%
SHL Singapore Pte Limited	Singapore	100%
SHL Asia Pacific Region Pte Limited	Singapore	100%
Meteor Pte Limited (in liquidation)	Singapore	100%
SHL Belgium SA	Belgium	100%
SHL Special Projects SA	Belgium	100%
SHL Europe BV	Netherlands	100%
SHL Nederland BV	Netherlands	100%
Personeelparticipatie Psychotechniek Utrecht BV	Netherlands	100%
Saville & Holdsworth Deutschland GmbH	Germany	100%
Saville & Holdsworth (Ireland) Limited	Ireland	100%
SHL Sverige AB	Sweden	100%
SHL Norge A/S	Norway	100%
SHL Danmark A/S	Denmark	100%
Saville & Holdsworth (UK) Limited	UK	100%
SHL Technology Limited	Ireland	100%
Psychodata BV	Netherlands	100%
Saville & Holdsworth (South Africa) (Pty) Limited	South Africa	100%
SHL (India) Private Limited	India	100%
SHL AG	Switzerland	100%
SHL Iberia Consultoria de Recursos Humanos, SL	Spain	100%

All of the above subsidiary and associated undertakings are included in the consolidated accounts and carry on the Group's principal activity as described in the Directors' Report on pages 3 to 5 All undertakings have their principal operations in the country of incorporation

The Group fully disposed of its 26 4% interest in its associate undertaking SHL Japan Co Limited on 18 May 2007

The Group reached a settlement agreement with SHL Internacional y Psicologos Empresariales SA, a previous subsidiary undertaking of the Group, on 27 June 2007 whereby it was agreed that the Group disposed of its 50% shareholding in the company