# SHL GROUP HOLDINGS 3 LIMITED
# DIRECTORS' REPORT AND FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 31 DECEMBER 2010

**Registered Number: 5919149**

**SHL GROUP HOLDINGS 3 LIMITED**
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**CONTENTS** | **Page Number**


| CONTENTS | Page Number |
|---|---|
| DIRECTORS' REPORT | 3 |
| DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS | 4 |
| INDEPENDENT AUDITOR'S REPORT | 5 |
| PROFIT AND LOSS ACCOUNT | 6 |
| BALANCE SHEET | 7 |
| NOTES TO THE ACCOUNTS | 8 |


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

## DIRECTORS' REPORT

The directors present their directors' report and the audited financial statements of SHL Group Holdings 3 Limited ("the Company") for the year ended 31 December 2010

### PRINCIPAL ACTIVITIES

The Company is a fully owned subsidiary of SHL Group Holdings 1 Limited and has been consolidated into those accounts The principal activity of the Company is to act as a holding and group financing company

### BUSINESS REVIEW

The results for the year ended 31 December 2010 are set out in the Profit and Loss Account on page 6 During the year the Company incurred interest on the bank loan and received and incurred interest from loans with group undertakings The results show a loss on ordinary activities before taxation of £1,495,000 (2009 loss of £897,000)

The directors consider that the Company will continue these activities in the coming year and consider it appropriate to prepare the financial statements on a going concern basis Further disclosure is given in note 1

On 11 January 2011, SHL Group Holdings 1 Limited and its subsidiaries (the "Group") merged with PreVisor Incorporated ("PreVisor"), a US based company specialising in on demand employment assessments and talent management solutions PreVisor had 258 employees at 31 December 2010, predominantly based in the US with smaller businesses in Australia and the UK PreVisor achieved revenues of £35 9m and EBITDA of £7 1m in 2010 The Group and PreVisor (the "Combined Group") will be known as SHL, delivering more than 15 million assessments annually in over 150 countries and over 30 languages The Combined Group will be able to provide customers with the broadest range of assessment solutions for roles at all levels and to support decisions from recruitment to succession planning, in more languages and countries than any other talent management provider

As part of the merger, the Group had to renegotiate its loan facilities with its lenders resulting in additional funding of £6 7m to the Company, acceleration of loan repayment dates and changes to the covenants that will apply for the remainder of the loan terms The additional funding was used in conjunction with existing cash reserves to settle the senior and mezzanine debt of PreVisor The revised covenants are based on forecasts for the Combined Group prepared by the Directors for 2011 to 2013 and allow a good level of headroom Refer to note 14 for more details

The Company has met the requirements of the Companies Act 2006 to obtain the exemption from the presentation of an enhanced business review

### DIRECTORS

The directors who held office throughout the year, except as noted, were as follows

| | |
|---|---|
| S Barrett | |
| E V Lancaster | |
| D Leigh | Appointed on 5 May 2010 |

### AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that,

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditors in the absence of an Annual General Meeting

By Order of the Board

**SUZANNA BARRETT**
Director

26 April 2011

**DIRECTORS' RESPONSIBILITY STATEMENT 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 year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company 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 accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

**INDEPENDENT AUDITOR'S REPORT**
**TO THE MEMBERS OF SHL GROUP HOLDINGS 3 LIMITED**

We have audited the financial statements of SHL Group Holdings 3 Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 14 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report

E Cox

Emma Cox (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

26 April 2011

**PROFIT AND LOSS ACCOUNT**
**Year ended 31 December 2010**

| | Notes | 2010 £'000 | 2009 £'000 |
|---|---|---|---|
| Refinancing costs | 3 | (85) | - |
| **Operating loss** | 3 | (85) | - |
| Net interest payable and similar charges | 2 | (1,410) | (897) |
| **Loss on ordinary activities before taxation** | | (1,495) | (897) |
| Taxation on loss on ordinary activities | 4 | - | - |
| **Loss for the year** | 10 | (1,495) | (897) |

The loss for the year is entirely generated from continuing activities

The Company has no recognised gains or losses other than the loss for the current and preceding year and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between loss as shown in the profit and loss above and historical loss for the current year

**BALANCE SHEET**
**As at 31 December 2010**

| | Note | 2010 £'000 | 2009 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | 5 | 1,812 | 1,812 |
| **Current assets** | | | |
| Debtors | 6 | 68,388 | 9,743 |
| **Creditors: amounts falling due within one year** | 7 | (61,011) | (1,458) |
| **Net current assets** | | 7,377 | 8,285 |
| **Total assets less current liabilities** | | 9,189 | 10,097 |
| **Creditors: amounts falling due after more than one year** | 8 | (13,802) | (13,215) |
| **Net liabilities** | | (4,613) | (3,118) |
| **Capital and reserves** | | | |
| Called up share capital | 10 | 1,812 | 1,812 |
| Profit and loss account | 10 | (6,425) | (4,930) |
| **Shareholders' deficit** | | (4,613) | (3,118) |

These financial statements of SHL Group Holdings 3 Limited, registered number 5919149, were approved by the board of directors on 26 April 2011 and signed on its behalf by

Suzanna Barrett
Director

David Leigh
Director

## 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 accounts have been prepared in accordance with applicable accounting standards under the historical cost convention The Company is exempt from the requirement of FRS 1 (revised 1996) *Cash Flow Statements* to prepare a cash flow statement as it is a wholly-owned subsidiary undertaking of SHL Group Holdings 1 Limited and its cash flows are included within the consolidated cash flow statement of that company The Company has not prepared consolidated financial statements as it is a wholly-owned subsidiary of SHL Group Holdings 1 Limited, a United Kingdom company and ultimate parent which prepares consolidated financial statements (Companies Act 2006 s400) These financial statements thus present information about the Company as an individual undertaking not as a Group undertaking

*Going concern*

The Company has net liabilities at 31 December 2010 of £4,613,000 (2009 £3,118,000 net liabilities)

The Company is a wholly-owned subsidiary undertaking of SHL Group Holdings 1 Limited and, as set out in note 11, the Company is a guarantor of the borrowing facilities of SHL Group Holdings 1 Limited and its subsidiaries (the "Group") The directors consider it appropriate to prepare these financial statements on a going concern basis, having regard to the Group's forecast, the letter of support provided by SHL Group Holdings 1 Limited and the following disclosure included in the parent company's financial statements for the year ended 31 December 2010, which were approved on 26 April 2011

"A review of business performance, together with a description of the Group's principal risks and uncertainties is set out in the Directors' Report A description of the Group's borrowing facilities and its hedging strategies for both interest and foreign exchange is included in notes 15 and 16 to the accounts As described in note 15, the Group's borrowings include senior bank facilities, subordinated loan notes from the Group's shareholders and a working capital facility Under the bank facilities, the Group is required to comply with various financial covenants which are tested quarterly

As described in note 26, the Group merged with PreVisor Incorporated (together the "Combined Group") on 11 January 2011 As part of the merger, the Group renegotiated its loan facilities with its lenders resulting in addition funding, acceleration of loan repayment dates and changes to the covenants that will apply for the remainder of the loan terms The directors have prepared forecasts for the Combined Group to June 2012 for the purpose of their going concern review which are on a more prudent basis than the internal targets against which the Combined Group's operations are managed

These forecasts show that the Combined Group will comply with its financial covenants throughout the forecast period, as well as operating well within its available facilities At the lowest test points, headroom on the interest cover and leverage covenants are 37% (£9 5m) and 33% (£10 1m) of EBITDA respectively Key sensitivities relate to the general uncertainties facing the Combined Group's customers and the related impact on its revenues, and the impact of foreign exchange movements on EBITDA and cash flow

The directors have a reasonable expectation that the company and Combined Group have adequate resources to continue in operational existence for the foreseeable future Accordingly, having taken into account the uncertainties referred to above, they consider it is appropriate to continue to adopt the going concern basis in preparing the annual report and accounts "

### (B) INVESTMENTS

Investments in subsidiary undertakings are stated at cost less provision for impairment, and reviewed annually for impairment

### (C) 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 rate of exchange ruling at the balance sheet date and the gains and losses on transaction are included in the profit and loss account

## NOTES TO THE ACCOUNTS (CONTINUED)

### 1. ACCOUNTING POLICIES (CONTINUED)

### (D) TAXATION

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

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 I *Deferred tax* Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it is considered that there will be sufficient future profits from which the reversal of the timing losses can be deducted

### (E) BANK BORROWINGS

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs Finance charges, including direct issue costs, are accounted for on an accruals basis in the profit and loss account using the effective interest method

### (F) DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments to reduce exposure to interest rate movements It does not hold or issue derivative financial instruments for speculative purposes

For an interest rate swap to be treated as a hedge the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate Interest differentials under these swaps are recognised by adjusting new interest payable over the period of the contracts

Interest rate swaps are not revalued to fair value or shown on the balance sheet at year end

### 2. NET INTEREST PAYABLE AND OTHER SIMILAR CHARGES

| | 2010<br>£'000 | 2009<br>£'000 |
|---|---|---|
| Group interest receivable | 787 | 167 |
| Net exchange gains | 415 | 607 |
| Total interest receivable and similar income | 1,202 | 774 |
| Bank interest | (1,733) | (1,638) |
| Other interest and charges | - | (13) |
| Group interest payable | (879) | (20) |
| Total interest payable and similar charges | (2,612) | (1,671) |
| Net interest payable and other similar charges | (1,410) | (897) |

## NOTES TO THE ACCOUNTS (CONTINUED)

### 3 OPERATING LOSS

Operating loss is stated after charging

| | 2010 | 2009 |
|---|---|---|
| | £'000 | £'000 |
| Refinancing Costs | 85 | - |

The refinancing costs were recharged from SHL Group Limited (a group undertaking) and relate to the break costs of the GBP interest hedge which was no longer required following the redenomination of the bank loans in 2009

No staff costs were incurred during the year (2009 £nil) and the directors received no emoluments from the Company for the year (2009 £nil)

Audit fees of £5,000 (2009 £5,000) are borne by the group undertaking, SHL Group Limited in both years

### 4. TAXATION

| | 2010 | 2009 |
|---|---|---|
| | £'000 | £'000 |
| Tax charge on loss on ordinary activities for the period | - | - |

A tax reconciliation is provided below

| | 2010 | 2009 |
|---|---|---|
| Loss on ordinary activities before taxation | (1,495) | (897) |
| Loss on ordinary activities at the standard rate of UK corporation tax of 28% (2009 28%) | 419 | 251 |
| Effects of | | |
| Loss carried forward | - | (251) |
| Surrendered as Group relief | (419) | - |
| | - | - |

A deferred tax asset of £669,000 (2009 £876,000) has not been recognised as at 31 December 2010 as the directors do not consider that it is more likely than not that there will be suitable taxable profits from which these losses can be deducted

### 5. INVESTMENTS

| | Equity in Group undertaking |
|---|---|
| | £'000 |
| Cost | |
| At 31 December 2009 and 31 December 2010 | 1,812 |

The Company has fixed asset investments in the following Group undertaking

| | Country of Incorporation | Effective Holding 2009 & 2010 |
|---|---|---|
| SHL Group Holdings 4 Limited | UK | 100% |

SHL Group Holdings 4 Limited is a holding and group financing company

## NOTES TO THE ACCOUNTS (CONTINUED)

### 6. DEBTORS DUE WITHIN ONE YEAR

| | 2010<br>£'000 | 2009<br>£'000 |
|---|---|---|
| Amounts owed by group undertaking | 68,388 | 9,743 |

### 7. CREDITORS: amounts falling due within one year

| | 2010<br>£'000 | 2009<br>£'000 |
|---|---|---|
| Bank overdraft | - | 40 |
| Other creditors | 15 | 28 |
| Amounts owed to Group undertakings | - | 1,390 |
| Amounts owed to parent undertaking | 60,996 | - |
| | 61,011 | 1,458 |

### 8. CREDITORS: amounts falling due after more than one year

| | 2010<br>£'000 | 2009<br>£'000 |
|---|---|---|
| Bank Loans | 13,751 | 13,215 |
| Other Creditors | 51 | - |
| | 13,802 | 13,215 |

The amount disclosed falls payable on 31 December 2016, under a loan agreement with CIT Capital Finance (UK) Limited

"Payment In Kind" (PIK) interest is accrued at a rate of 6 5% and other interest is payable on the loan at 4 5% margin above EURIBOR

Refer to note 14 for the revised facility following the merger with PreVisor Inc subsequent to year end

### 9. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The Company may enter into derivative contracts to protect specific interest rate exposure

*Hedging*

The Company has a number of interest hedges to cover the Group's exposure on variable interest rates The amounts hedged, and details of the hedges are as follows

| Currency | Type of hedge | Fixed rate | Expiry Date | Nominal Value at 31 December 2010 000's | Nominal Value at 31 December 2009 000's |
|---|---|---|---|---|---|
| GBP | Swap | 5 45% | December 2011 | £3,000 | £3,000 |
| USD | Swap | 3 68% | December 2014 | $6,000 | $6,000 |

The fair value of the above instruments as at 31 December 2010 is estimated to be a liability of £431,000 (2009 £341,000)

## NOTES TO THE ACCOUNTS (CONTINUED)

### 10 SHARE CAPITAL AND RESERVES

| | Allotted, Called up and Fully Paid 2010 and 2009 |
|---|---|
| Equity | No |
| Ordinary shares of £1 each | 1,811,767 |

| | Called Up Share Capital | Profit & Loss Account | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| At 1 January 2010 | 1,812 | (4,930) | (3,118) |
| Loss for the period | - | (1,495) | (1,495) |
| At 31 December 2010 | 1,812 | (6,425) | (4,613) |

### 11. CONTINGENT LIABILITIES

The Company is a joint guarantor under the bank facility agreements of the Group The debt facilities are secured by a fixed and floating charge over the assets of the Company

### 12. RELATED PARTY TRANSACTIONS

The Company is exempt from the requirements of FRS 8 *Related Party Disclosures* to disclose transactions with other group undertakings as it is a wholly-owned subsidiary of SHL Group Holdings 1 Limited, whose accounts are available from the Registrar of Companies

### 13. CONTROLLING PARTIES

The Company is a wholly-owned subsidiary undertaking of SHL Group Holdings 2 Limited, which is incorporated and registered in England and Wales The largest group into which the Company will be consolidated is SHL Group Holdings 1 Limited No other group financial statements include the results of the Company In the opinion of the directors, the Company and the Group are ultimately owned by investors whose investments are managed by HgCapital The directors do not consider there to be an ultimate controlling party The consolidated statements for SHL Group Holdings 1 Limited are available to the public and may be obtained from the Registrar of Companies

### 14. POST BALANCE SHEET EVENTS

On 11 January 2011 the Group merged with PreVisor Incorporated ("PreVisor"), a US based company specialising in on demand employment assessments and talent measurement solutions The Combined Group will be known as SHL The merger will enable the Group to provide customers worldwide with a broad range of assessment solutions for roles of all levels and to support decisions from recruitment to succession planning, in various languages and countries The merger was a non-cash merger The purchase price was settled through the issue of shares in the Company

As part of the merger, the Group had to renegotiate its loan facilities with its lenders resulting in addition funding of £6 7m to the Company, acceleration of loan repayment dates and changes to the covenants that will apply for the remainder of the loan terms The additional funding will be rolled into the existing Mezzanine debt and will be used in conjunction with existing cash reserves to settle the senior and mezzanine debt of PreVisor The revised covenants are based on forecasts for the Combined Group prepared by the Directors for 2011 to 2013 and allow a good level of headroom before an adverse variance to the forecasts would result in a breach of the covenants

A summary of the revised facilities payable by the Company is set out below

- £20 1m of euro denominated mezzanine debt, which is due to be repaid on 31 January 2014

These facilities are secured by a fixed and floating charge over the assets of the Company