

**INTERNATIONAL TRAINING SERVICE LIMITED
REPORT AND FINANCIAL STATEMENTS**

31 MARCH 2002



**HORWATH
CLARK WHITEHILL**
Chartered Accountants

A member of Horwath International

25 New Street Square London EC4A 3LN United Kingdom

Telephone: +44 (0)20 7353 1577

Facsimile: +44 (0)20 7583 1720

www.horwathcw.com

DX 0014 London Chancery Lane



INTERNATIONAL TRAINING SERVICE LIMITED
(A COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL)
DIRECTORS' REPORT
THE YEAR ENDED 31 MARCH 2002

The directors present their report and the financial statements for the year ended 31 March 2002.

RESULTS FOR THE YEAR

The surplus for the year was £5k (2001: £184k) which after tax left a transfer to reserves of £5k (2001 £83k). In 2001 a transfer of £83k was made to reserves after payment of bonuses, tax and dividends.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company is a management consultancy specialising in the development of people and organisations. We have teams based in Edinburgh, London, Belfast, Leeds and Birmingham and work with clients in the UK and world-wide. In recent years our work has focused on the development issues which emerge from major structural, operational and cultural change. ITS works with clients to build commitment to change and to develop the organisational capability needed to meet the business challenges of the future.

DIRECTORS

The directors during the year were as follows:-

Mr. J Hillier (Chairman)
Ms P M Kenrick (Managing Director)
Mr. A P Conway
Mr. I A Greive (resigned 28 September 2001)
Mr. A Harley
Mr. D M Harvey OBE
Mr. A J W Young
Mr. J J Doyle (appointed 28 September 2001)

INTERNATIONAL TRAINING SERVICE LIMITED
(A COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL)
DIRECTORS' REPORT(CONTINUED)
THE YEAR ENDED 31 MARCH 2002

AUDITORS

In accordance with section 385 of the Companies Act 1985, a resolution proposing the reappointment of Horwath Clark Whitehill as auditors to the company will be put to the Annual General Meeting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the company's state of affairs at the end of the year and of its profit or loss for the period. In preparing those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 assume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud or other irregularities.

By Order of the Board


Secretary

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
INTERNATIONAL TRAINING SERVICE LIMITED**

We have audited the financial statements of International Training Service Limited for the year ended 31 March 2002 set out on pages 4 to 11.

These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company 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 United Kingdom Auditing Standards 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 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.

Unqualified opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Horwath Clark Whitehill

6 August 2002
London

Chartered Accountants
and Registered Auditors

**HORWATH
CLARK WHITEHILL**

Chartered Accountants

A member of Horwath International

25 New Street Square

London

EC4A 3LN

United Kingdom

Telephone: +44 (0)20 7353 1577

Facsimile: +44 (0)20 7583 1720

www.horwathcw.com

DX 0014 London Chancery Lane



INTERNATIONAL TRAINING SERVICE LIMITED
(A COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL)
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2002

	Notes	2002 £	2001 £
TURNOVER continuing operations	2	2,698,990	3,143,961
Staff costs		1,393,853	1,318,874
Client direct costs		406,150	834,876
Depreciation		30,508	52,264
Other operating charges		679,906	699,044
Cost of associate consultants		185,865	127,000
		2,696,282	3,032,058
OPERATING SURPLUS Continuing Operations	4	2,708	111,903
Bank deposit interest		2,158	8,802
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAX		4,866	120,705
TAXATION	5	52	(25,460)
SURPLUS ON ORDINARY ACTIVITIES AFTER TAX		4,918	95,245
Dividends	6	-	11,800
Surplus retained for the year		4,918	83,445
Revenue account balance as at 1 April 2001		515,163	431,718
Balance carried forward 31 March 2002		520,081	515,163

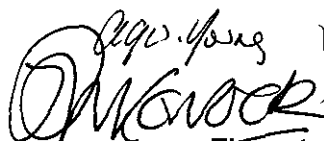
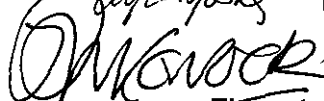
The profit and loss account contains all recognised gains and losses in the current and preceding years.

The notes on pages 7 to 11 form part of these financial statements.

INTERNATIONAL TRAINING SERVICE LIMITED
(A COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL)
BALANCE SHEET
31 MARCH 2002

	Notes	2002 £	2001 £
FIXED ASSETS			
Tangible assets	7	38,863	59,086
CURRENT ASSETS			
Trade debtors		564,403	825,786
Other debtors		35,829	38,405
Prepayments		60,265	67,840
Amounts due to ITS Employees' Share Ownership Trust		1,900	1,900
Cash at bank and in hand		49,964	75,803
		<u>712,361</u>	<u>1,009,734</u>
CREDITORS: Amounts falling due within one year			
Work in progress (net)	8	10,884	140,598
Trade creditors		102,045	121,915
Corporation tax		217	22,793
Other taxes and social security costs		62,797	82,837
Proposed dividends		-	11,800
Accruals		51,582	115,541
Obligations under finance leases	9	-	31,868
Other creditors		3,618	26,305
		<u>213,143</u>	<u>553,657</u>
NET CURRENT ASSETS		<u>481,218</u>	<u>456,077</u>
NET ASSETS		<u>520,081</u>	<u>515,163</u>
CAPITAL AND RESERVES			
Revenue account		<u>520,081</u>	<u>515,163</u>

Approved by the Board on 6th August 2002
and signed on their behalf by

 } Directors
 }

The notes on pages 7 to 11 form part of these financial statements.

INTERNATIONAL TRAINING SERVICE LIMITED
(A COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL)
CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2002

	2002 £	2001 £
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	48,480	(82,817)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	2,158	8,802
Interest element of finance lease rentals paid	(14,020)	(37,332)
TAXATION	(22,523)	(18,317)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	(10,285)	(29,269)
Payments to acquire tangible fixed assets		
EQUITY DIVIDENDS PAID	(11,800)	(5,900)
NET CASH OUTFLOW BEFORE FINANCING	(7,990)	(164,833)
FINANCING		
Capital element of finance lease rental payments	(17,849)	(17,300)
NET DECREASE IN CASH	(25,839)	(182,133)

Notes to the Cash Flow Statement:

1. Reconciliation of Operating Profit to net Cash Flow From Operating Activities

Operating surplus	2,708	111,903
Depreciation	30,508	52,264
Decrease/(increase) in debtors and prepayments	271,534	(209,866)
(Decrease)/Increase in creditors and accruals	(126,556)	66,687
Decrease in stock and work in progress	(129,714)	(103,805)
Net cash inflow/(outflow) from operating activities	48,480	(82,817)

2. Reconciliation of Net Cash Flow to Movement In Net Debt

Net(Decrease)increase in cash	(25,839)	(182,133)
Change in net debt resulting from cash flows	31,868	54,632
Movement in net debt in year	6,029	(127,501)
Net debt at 1 April 2001	43,935	171,436
Net debt at 31 March 2002	49,964	43,935

3. Analysis of Net Debt

	At 1 April 2001 £	Cashflow £	At 31 March 2002 £
Cash in hand and at Bank	75,803	(25,839)	49,964
Finance Leases	(31,868)	31,868	-
Total	43,935	6,029	49,964

The notes on pages 7 to 11 form part of these financial statements.

INTERNATIONAL TRAINING SERVICE LIMITED
(A COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL)
NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

a) Basis of Accounting

These financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Fixed Assets

Additions to fixed assets of items over £1,000 are capitalised and depreciated at the following annual rates or, where purchased under a lease purchase agreement, over the period of the agreement.

Computer hardware	3 years
Computer software	5 years
Office equipment	3 years

c) Consultancy Fees and Work in Progress

Credit is taken in the financial statements for all services carried out at the accounting date and provision is made for all known costs. Work in progress is valued at current fee rate less provision for known losses. Receipts from programmes are included with consultancy fees.

d) Stock

The stock of learning packages has been valued at the lower of cost and net realisable value.

e) Deferred Taxation

In accordance with FRS 19 full provision is made, at the 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 at the balance sheet date in respect of material timing differences which have arisen but not reversed at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the accounts. Deferred tax is measured on a non-discounted basis.

Deferred tax assets are only recognised where they arise from timing differences where their recoverability in the short term is regarded as more likely than not.

f) Finance Leases and Operating Leases

Assets acquired under finance leases are capitalised on the balance sheet at their fair value and depreciated over the lease term. The corresponding net obligations are shown under the appropriate heading in creditors. Interest is charged to the profit and loss account so as to give a constant periodic rate of charge on the remaining balance of the obligation each year. Operating lease costs are charged to the profit and loss in the year they are incurred.

g) Foreign Currency

Transactions in foreign currency are translated at the rate prevailing on the day of transaction. The exchange gain or loss is charged as an other operating charge.

INTERNATIONAL TRAINING SERVICE LIMITED
(A COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. TURNOVER

Turnover represents the value of services rendered to customers, excluding value added tax.
 The analysis of turnover is as follows:

	2002 £	2001 £
Consultancy fees including associates:		
Overseas Work	412,789	204,680
UK Work	1,773,346	1,944,466
Client direct costs	406,150	834,876
Surplus on projects/programmes	104,705	159,939
	<u>2,698,990</u>	<u>3,143,961</u>

3. STAFF COSTS (INCLUDING DIRECTORS)

	£	£
Wages and salaries	1,112,433	1,029,000
Social security costs	131,903	157,918
Other pension costs	89,651	122,720
	<u>1,333,987</u>	<u>1,309,638</u>

The average weekly number of employees during the year was

	No.	No.
Consultants	24	21
Administration	11	12
	<u>35</u>	<u>33</u>

DIRECTORS' EMOLUMENTS

	£	£
Emoluments (including benefits)	292,814	281,048
Pension contributions	25,205	28,521
	<u>318,019</u>	<u>309,569</u>

Highest paid director		
Aggregate emoluments and other benefits	72,167	70,311
Pension scheme contributions	6,090	6,812
	<u>78,257</u>	<u>77,123</u>

	No	No
Number of directors:		
Accruing benefits under defined contribution pension scheme	<u>5</u>	<u>5</u>

INTERNATIONAL TRAINING SERVICE LIMITED
(A COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL)
NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. OPERATING SURPLUS	2002	2001
is stated after charging:	£	£
Depreciation - owned assets	17,771	11,495
- leased assets	12,737	40,774
Auditors' remuneration	11,000	10,000
Auditors' fees for non-audit work	4,230	11,996
Bank charges	5,173	5,117
Finance charges	<u>14,020</u>	<u>37,332</u>

5. TAXATION

a) Analysis of tax charge

Corporation tax at 20%	217	22,793
Overseas tax	-	6,335
Adjustment for prior year	<u>(269)</u>	<u>(3,668)</u>
	<u>(52)</u>	<u>25,460</u>

b) Factors affecting the tax charge for the period

The tax assessed for the period is lower than the small companies rate of Corporation Tax in the UK (20%). The difference are explained below:

	2002	2001
	£	£
Profit before tax	<u>4,866</u>	<u>120,705</u>
Profit on ordinary items activities multiplied by small companies rate if Corporation Tax in the UK of 20% (2001: 20%)	973	24,141
Effect of:		
Expenses not allowable for tax purposes	1,123	257
Effect of capital allowances in excess of depreciation	76	(2,991)
Effect of movement in provisions	(1,738)	7,452
Other items – tax at starting rate 10%	(217)	-
Adjustment to tax charge in respect of previous periods	<u>-</u>	<u>269</u>
Current year tax charge	<u>217</u>	<u>29,128</u>

c) Factors affecting the future tax charges.

These are no material timing differences which will affect the future tax charges and therefore no provision for deferred tax has been made.

INTERNATIONAL TRAINING SERVICE LIMITED
(A COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL)
NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. DIVIDENDS

The dividend relates to a proposed distribution to be made to ITS Consultants Ltd, the sole member of International Training Service Limited. No distribution was proposed in 2002.

	Computer Equipment £	Office Equipment £	Total £
7. TANGIBLE FIXED ASSETS			
Cost as at 1 April 2001	292,956	12,185	305,141
Additions	10,285	-	10,285
As at 31 March 2001	303,241	12,185	315,426
Depreciation			
At 1 April 2001	239,294	6,761	246,055
Charge for the year	27,672	2,836	30,508
At 31 March 2002	266,966	9,597	276,563
Net book value			
At 31 March 2002	36,275	2,588	38,863
<i>Net book value</i>			
<i>At 31 March 2001</i>	53,662	5,424	59,086

8. WORK IN PROGRESS

	2002 £	2001 £
Current fee rate less provisions for known losses		143,870
Less: Payments receivable on account	(126,471)	(284,468)
	(10,884)	(140,598)

9. FINANCE LEASES

Obligations under finance leases are payable as follows:

Between one and two years	-	-
Between two and five years	-	-
In one year or less	-	31,868
	-	31,868

INTERNATIONAL TRAINING SERVICE LIMITED
(A COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL)
NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. PENSION COSTS

The company had closed its defined benefit pension scheme as at 31 March 2000. The company has a defined contribution scheme.

All other members have transferred out and joined the new group personal pension or other personal arrangement.

The costs in note 3 relate to these contributions.

11. FINANCIAL COMMITMENTS

Rent of land and buildings: leases expiring:

	2002 £	2001 £
In the second to fifth years	<u>91,128</u>	<u>92,144</u>

12. RECONCILIATION OF MOVEMENT IN FUNDS

Surplus for the financial year	5,135	83,445
Opening funds	<u>515,163</u>	<u>431,718</u>
Closing funds	<u>520,298</u>	<u>515,163</u>

13. GUARANTOR COMPANY

The sole guarantor is ITS Consultants Limited, a company incorporated in England.