

INTERNATIONAL TRAINING SERVICE LIMITED
REPORT AND FINANCIAL STATEMENTS
31 MARCH 2000



HORWATH
CLARK WHITEHILL
Chartered Accountants

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INTERNATIONAL TRAINING SERVICE LIMITED
(A COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL)
DIRECTORS' REPORT
THE YEAR ENDED 31 MARCH 2000

The directors present their report and the financial statements for the year ended 31 March 2000.

RESULTS FOR THE YEAR

The surplus for the year was £88k (1999 £134k) which after payment of bonuses, PRP, tax and dividends left a transfer to reserves of £21k (1999 £42k).

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)
Mr. J A F Bruce (Chairman) (resigned 29 September 1999)
Ms P M Kenrick (Managing Director)
Mr. A P Conway
Mr. I A Greive
Mr. A Harley (appointed 29 September 1999)
Mr. D M Harvey (elected 29 September 1999)
Mr. J Lawson
Mr. A J W Young

YEAR 2000

The directors have assessed the risk that the company's business and operations will be adversely affected by what is known as the Year 2000 problem (or millennium bug). They identified the primary areas of risk and how they will affect each area of the business and implemented plans to replace or modify as appropriate, its systems and equipment and to date no problems have been encountered.

INTERNATIONAL TRAINING SERVICE LIMITED
(A COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL)
DIRECTORS' REPORT (CONTINUED)
THE YEAR ENDED 31 MARCH 2000

AUDITORS

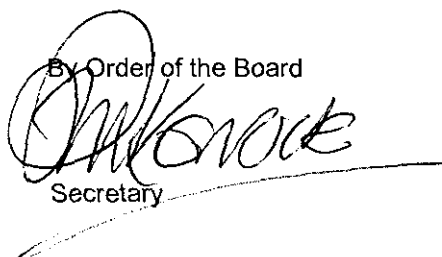
In accordance with section 385 of the Companies Act 1985, a resolution proposing the reappointment of Horwath Clark Whitehill as auditors to the company will be put to the Annual General Meeting.

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

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**REPORT OF THE AUDITORS
TO THE MEMBERS OF INTERNATIONAL
TRAINING SERVICE LIMITED**



We have audited the financial statements on pages 4 to 11 which have been prepared under the accounting policies set out on page 7.

Respective Responsibilities of Directors and Auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with 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 judgements 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 the 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 at 31 March 2000 and of its surplus for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

8 August 2000

Horwath Clark Whitehill

Chartered Accountants
and Registered Auditors

London

INTERNATIONAL TRAINING SERVICE LIMITED
(A COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL)
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2000

	Notes	£	2000 £	1999 £
TURNOVER continuing operations	2		2,745,215	2,741,955
Staff costs	3	1,105,301		1,081,596
Depreciation		61,557		51,456
Other operating charges		656,551		629,844
Client direct costs		<u>880,455</u>		<u>928,684</u>
			<u>2,703,864</u>	<u>2,691,580</u>
OPERATING SURPLUS	4		41,351	50,375
Bank deposit interest			<u>5,620</u>	<u>10,935</u>
SURPLUS ON ORDINARY ACTIVITIES			46,971	61,310
TAXATION	5		<u>19,943</u>	<u>11,000</u>
SURPLUS ON ORDINARY ACTIVITIES AFTER TAX			27,028	50,310
Dividends	6		<u>5,900</u>	<u>8,420</u>
Surplus for year			21,128	41,890
Revenue Account				
Balance as at 1 April 1999			<u>410,590</u>	<u>368,700</u>
Balance carried forward				
31 March 2000			<u>431,718</u>	<u>410,590</u>

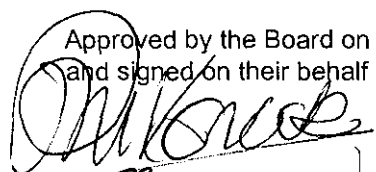
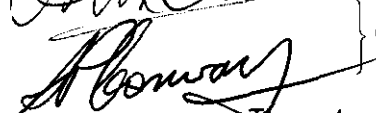
The profit and loss account contains all recognised gains and losses in the current and preceding years.

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 2000

	Notes	£	2000 £	1999 £
FIXED ASSETS				
Tangible assets	7	82,081		135,870
Investment	8	-		2,000
			82,081	137,870
CURRENT ASSETS				
Stock		9,495		19,517
Trade debtors		595,386		548,863
Other debtors		13,263		282,132
Prepayments		113,516		106,000
Amounts due to ITS Employees' share ownership Trust		1,900		-
Cash at bank and in hand		257,936		69,581
		991,496		1,026,093
CREDITORS: Amounts falling due within one year				
Work in progress (net)	9	253,898		290,772
Trade creditors		127,923		145,240
Corporation tax		15,650		11,000
Other taxes and social security costs		50,492		52,371
Proposed dividends		5,900		8,420
Accruals		95,702		98,323
Other		60,426		60,747
		609,991		666,873
NET CURRENT ASSETS			381,505	359,220
TOTAL ASSETS LESS CURRENT LIABILITIES			463,586	497,090
CREDITORS: amounts falling due in more than one year				
Finance lease creditors	10		31,868	86,500
NET ASSETS			431,718	410,590
CAPITAL AND RESERVES				
Revenue account			431,718	410,590

Approved by the Board on 8 August 2000
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 2000

	2000	1999
	£	£
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	268,848	(38,113)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	5,620	10,935
INVESTING ACTIVITIES		
Payments to acquire tangible fixed assets	(7,768)	(17,884)
Receipts from sale of tangible fixed assets	-	1,191
TAXATION	(15,293)	(3,450)
EQUITY DIVIDENDS PAID	(8,420)	(11,800)
NET CASH INFLOW BEFORE FINANCING	242,987	(59,121)
FINANCING		
Capital Element of Finance Lease Repayments	(54,632)	(29,463)
NET (DECREASE)/INCREASE IN CASH	188,355	(88,584)

Notes to the Cash Flow Statement:

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

Operating surplus	41,351	50,375
Depreciation	61,557	51,456
Decrease/(increase) in debtors and prepayments	212,930	(276,196)
Increase/(Decrease) in creditors and accruals	(22,138)	56,088
(Decrease)/Increase in stock and work in progress	(26,852)	68,154
Loss on sale of tangible fixed assets	-	12,010
Loss on disposal of investments	2,000	-
Net cash (outflow)/inflow from operating activities	268,848	(38,113)

2. Analysis of Changes in Cash

Balance at 1 April 1998	158,165
Net cash (outflow)	(88,584)
Balance at 31 March 1999	69,581
Net cash inflow	188,355
Balance at 31 March 2000	257,936

3. Analysis of Net Debt

	At 1 April 1999	Cashflow	At 31 March 2000
	£	£	£
Cash in hand and at Bank	69,581	188,355	257,936
Finance Leases	(141,132)	54,632	(86,500)
Total	(71,551)	242,987	171,436

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

Deferred taxation is accounted for using the liability method on all material timing differences to the extent that it is probable that liabilities or assets will crystallise.

f) Finance 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.

2. TURNOVER

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

	2000 £	1999 £
Consultancy fees including associates:		
Overseas Work	148,669	329,853
UK Work	1,750,356	1,542,074
Client direct costs	704,683	813,003
Surplus on projects/programmes	141,507	57,025
	<u>2,745,215</u>	<u>2,741,955</u>

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

3. STAFF COSTS (INCLUDING DIRECTORS)	2000	1999
	£	£
Wages and salaries	880,123	883,301
Social security costs	132,633	108,663
Other pension costs	89,781	89,632
	<u>1,102,537</u>	<u>1,081,596</u>
 The average weekly number of employees during the year was	 No.	 No.
Consultants	20	20
Administration	12	11
	<u>32</u>	<u>31</u>
 DIRECTORS' EMOLUMENTS		
	£	£
Emoluments (including benefits)	242,198	228,424
Pension contributions	20,301	14,450
	<u>262,499</u>	<u>242,874</u>
 Highest paid director		
Aggregate emoluments and other benefits	62,188	61,489
Pension scheme contributions	5,306	4,133
	<u>67,494</u>	<u>65,622</u>
 Number of directors:		
Accruing benefits under defined contribution pension scheme	<u>5</u>	<u>-</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	2000	1999
is stated after charging:	£	£
Auditors' remuneration	9,100	8,800
Auditors' fees for non-audit work	10,282	4,600
Bank charges	3,977	2,963
Operating lease rentals	78,175	96,722

5. TAXATION

Corporation tax at 20%	15,650	11,000
Adjustment for prior year	4,293	-
	19,943	11,000

6. DIVIDENDS

The dividend relates to a proposed distribution to be made to ITS Consultants Ltd, the sole member of International Training Service Limited.

	Computer Equipment	Office Equipment	Total
7. TANGIBLE FIXED ASSETS			
Cost as at 1 April 1999	262,934	5,170	268,104
Additions	<u>7,768</u>	<u>-</u>	<u>7,768</u>
As at 31 March 2000	<u>270,702</u>	<u>5,170</u>	<u>275,872</u>
Depreciation			
At 1 April 1999	130,634	1,600	132,234
Charge for the year	<u>60,021</u>	<u>1,536</u>	<u>61,557</u>
At 31 March 2000	<u>190,655</u>	<u>3,136</u>	<u>193,791</u>
Net book value			
At 31 March 2000	<u>80,047</u>	<u>2,034</u>	<u>82,081</u>
<i>Net book value</i>			
<i>At 31 March 1999</i>	<u>132,300</u>	<u>3,570</u>	<u>135,870</u>

Computer equipment with a cost value of £225,000 are held under finance leases.

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

8. INVESTMENT	2000	1999
	£	£
Shares in unquoted company at cost	<u>-</u>	<u>2,000</u>
The operations of IRD were closed in June 1999.		
International Training Service Limited and IRD Limited form part of a small group as defined by the Companies Act 1985 and no consolidated accounts are prepared.		
9. WORK IN PROGRESS	2000	1999
	£	£
Current fee rate less provisions for known losses	108,241	30,484
Less: Payments receivable on account	<u>(362,139)</u>	<u>(321,256)</u>
	<u>(253,898)</u>	<u>(290,772)</u>
10. FINANCE LEASES		
Obligations under finance leases are payable as follows:		
Between one and two years	31,868	54,632
Between two and five years	<u>-</u>	<u>31,868</u>
	31,868	86,500
In one year or less	<u>54,632</u>	<u>54,632</u>
	<u>86,500</u>	<u>141,132</u>

11. PENSION COSTS

The company operates a defined benefit pension scheme based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The scheme is funded by contributions determined by a professionally qualified actuary on the basis of triennial valuations using the Projected Unit Method incorporating a 20 year control period. The most recent valuation was carried out as at 1 August 1996. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increases in salaries. It was assumed that the yield gap between the valuation rate of interest and the rate of salary increase would be 2%.

The most recent actuarial valuation showed that the actuarial value of the scheme's assets was £3,661,000 and that this represented 114% of the benefits that had accrued to members after allowing for expected increases in earnings.

The company has adopted the provisions of Statement of Standard Accounting Practice Number 24 on accounting for pension schemes and the actuarial deficit is being eliminated over a ten year period, the estimated average remaining service lives of employees. The costs of the scheme in the year amounted to £NIL (1999 : £98,407) as the scheme was closed on 31 March 1999.

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

12. RECONCILIATION OF MOVEMENT IN FUNDS	2000	1999
	£	£
Surplus for the financial year	21,128	41,890
Opening funds	410,590	368,700
Closing funds	431,718	410,590

13. GUARANTOR COMPANY

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