

INTERNATIONAL TRAINING SERVICE LIMITED
REPORT AND FINANCIAL STATEMENTS
31 MARCH 1996



CLARK WHITEHILL
Chartered Accountants

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A member of Horwath International



INTERNATIONAL TRAINING SERVICE LIMITED
(A COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL)
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 1996

The directors present their report and the financial statements for the year ended 31 March 1996.

RESULTS FOR THE YEAR

The surplus for the year after taxation was £2,607.

The Memorandum and Articles of the International Training Service Limited prohibit the payment of dividends.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company is a management consultancy specialising in the development of people and organisations. International Training Service Limited provides a consultancy service to clients in all aspects of the organisation, management and development of people, with a key emphasis on the link between the development of people and business effectiveness.

The company has restructured its business for the late 1990s to reflect the main learning issues being faced by its clients, including the themes of change, performance and standards.

DIRECTORS

The directors during the year were as follows:-

Mr. J A F Bruce (Chairman)	Sir T Normanton T.D. (Resigned 1 August 1995)
Mr. J L Cox M.B.E.	Mr. J Lawson
Mr. W H Petty C.B.E.	Mr. J Rogers (Resigned 1 August 1995)
Ms P M Kenrick (Managing Director)	Mr. A J W Young
Mr. A H MacLaughlin	Mr T Bryan (Resigned 1 November 1995)
Mr J Hillier	Mr. I A Greive
Mr. A P Conway	
Mr. R S McCaughay (Resigned 30 November 1995)	

Mr J Hillier, Mr I A Greive and Mr A P Conway are due to retire by rotation at the forthcoming Annual General Meeting and are all eligible for re-election.

INTERNATIONAL TRAINING SERVICE LIMITED
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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 1996

AUDITORS

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

By Order of the Board



Secretary

6 August 1996.

INTERNATIONAL TRAINING SERVICE LIMITED
(A COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL)
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 MARCH 1996

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.



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REPORT OF THE AUDITORS

TO THE MEMBERS OF INTERNATIONAL TRAINING SERVICE LIMITED

A member of Horwath International



We have audited the financial statements on pages 5 to 11 which have been prepared under the accounting policies set out on page 8.

Respective Responsibilities of Directors and Auditors

As described on page 3 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 1996 and of its surplus for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants
and Registered Auditor

INTERNATIONAL TRAINING SERVICE LIMITED
(A COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL)
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 1996

	Notes	1996 £	1995 £
TURNOVER	2	2,412,279	2,458,218
Staff costs	3	1,080,322	1,334,532
Depreciation		23,055	4,276
Other operating charges		650,805	719,108
Client direct costs		<u>657,634</u>	<u>523,428</u>
		2,411,816	2,581,344
OPERATING SURPLUS/(DEFICIT)	4	463	(123,126)
Bank deposit interest		<u>2,144</u>	<u>1,936</u>
SURPLUS/(DEFICIT) ON ORDINARY ACTIVITIES		2,607	(121,190)
TAXATION	5	<u>-</u>	<u>-</u>
SURPLUS/(DEFICIT) FOR YEAR		2,607	(121,190)
Revenue Account			
Balance as at 1 April 1995		<u>267,764</u>	<u>388,954</u>
Balance carried forward			
31 March 1996		<u>270,371</u>	<u>267,764</u>

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

The notes on pages 8 to 11 form part of these financial statements.

INTERNATIONAL TRAINING SERVICE LIMITED
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BALANCE SHEET
31 MARCH 1996

	Notes	£	1996 £	1995 £
FIXED ASSETS				
Tangible assets	6	177,292		7,799
Investment	7	<u>1,000</u>		<u>1,000</u>
			178,292	<u>8,799</u>
CURRENT ASSETS				
Stock		37,398		43,452
Trade debtors		473,709		408,148
Other debtors		667		639
Prepayments		137,643		164,528
Cash at bank and in hand		<u>14,066</u>		<u>6,695</u>
		<u>663,483</u>		<u>623,462</u>
CREDITORS: Amounts falling due within one year				
Bank overdraft		-		56,527
Work in progress (net)	8	12,082		85,296
Trade creditors		243,708		109,442
Other taxes and social security costs		52,826		68,472
Accruals		53,459		44,760
Other		<u>62,232</u>		<u>-</u>
		<u>424,307</u>		<u>364,497</u>
NET CURRENT ASSETS			<u>239,176</u>	<u>258,965</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>417,468</u>	<u>267,764</u>
CREDITORS: amounts falling due in more than one year				
Finance lease creditors	9		<u>147,097</u>	<u>-</u>
NET ASSETS			<u>270,371</u>	<u>267,764</u>
CAPITAL AND RESERVES				
Revenue account			<u>270,371</u>	<u>267,764</u>

Approved by the Board on 6 August 1996
and signed on their behalf by

[Signature] } Directors
[Signature]

The notes on pages 8 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 1996

	1996 £	1995 £
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	76,137	(209,002)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	2,144	1,936
INVESTING ACTIVITIES		
Payments to acquire tangible fixed assets/investments	-	(10,555)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING	78,281	(217,621)
FINANCING		
Capital Element of Finance Lease Repayments	(14,383)	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	63,898	(217,621)

Notes to the Cash Flow Statement:

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

Operating surplus/(deficit)	463	(123,126)
Depreciation	23,055	4,276
(Increase)/Decrease in debtors and prepayments	(38,704)	91,409
Increase/(Decrease) in creditors and accruals	158,483	(45,490)
(Decrease) in stock and work in progress	(67,160)	(136,071)
Net cash inflow/(outflow) from operating activities	76,137	(209,002)

2. Analysis of Changes in Cash and Cash Equivalents During the Year

	£
Balance at 1 April 1994	167,789
Net cash outflow	(217,621)
Balance at 31 March 1995	(49,832)
Net cash inflow	63,898
Balance at 31 March 1996	14,066

The notes on pages 8 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 over three years or, where purchased under a lease purchase agreement, over the period of the agreement.

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) Dividends

The Memorandum and Articles of the International Training Service Limited prohibit the payment of dividends.

f) 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.

g) 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:

	1996	1995
	£	£
Consultancy fees:		
Overseas Work	224,679	234,318
UK Work	1,352,587	1,572,088
Client direct costs	657,635	523,428
Surplus on projects/programmes/associates	159,088	89,575
Income from packages	18,290	38,809
	<u>2,412,279</u>	<u>2,458,218</u>

INTERNATIONAL TRAINING SERVICE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	1996	1995
	£	£
3. STAFF COSTS (INCLUDING DIRECTORS)		
Wages and salaries	940,698	1,040,028
Social security costs	85,717	97,656
Other pension costs	53,907	196,848
	<u>1,080,322</u>	<u>1,334,532</u>

The average weekly number of employees during the year was

	No.	No.
Consultants	24	27
Administration	12	13
	<u>36</u>	<u>40</u>

DIRECTORS' EMOLUMENTS

	£	£
Fees	-	-
Other emoluments	211,537	194,045
Pension contributions	23,835	36,209
Benefits in kind	18,301	22,745
	<u>253,693</u>	<u>252,999</u>

The emoluments of the Directors, excluding pension scheme contributions, were as follows:

Chairman	<u>Nil</u>	<u>Nil</u>
Highest paid director	<u>45,203</u>	<u>45,400</u>
Other directors		
	No.	No.
£0 - £5,000	7	7
£20,000 - £25,000	1	4
£35,000 - £40,000	2	-
£40,000 - £45,000	<u>2</u>	<u>2</u>

The directors in the nil to £5,000 band received no emoluments.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. OPERATING SURPLUS/(DEFICIT)	1996	1995
is stated after charging:	£	£
Auditors' remuneration	7,975	7,975
Auditors' fees for non-audit work	22,381	2,000
Bank charges	12,781	8,287
Operating lease rentals	<u>92,197</u>	<u>114,114</u>

5. TAXATION

There are unrelieved tax losses carried forward at 31 March 1996 amounting to approximately £180,000

	Computer Equipment	Office Equipment	Total
6. TANGIBLE FIXED ASSETS			
Cost as at 1 April 1995	-	31,512	31,512
Additions	<u>192,548</u>	<u>-</u>	<u>192,548</u>
 As at 31 March 1996	 <u>192,548</u>	 <u>31,512</u>	 <u>224,060</u>
 Depreciation			
At 1 April 1995	-	23,713	23,713
Charge for the year	<u>18,777</u>	<u>4,278</u>	<u>23,055</u>
 At 31 March 1996	 <u>18,777</u>	 <u>27,991</u>	 <u>46,768</u>
 Net book value			
At 31 March 1996	<u>173,771</u>	<u>3,521</u>	<u>177,292</u>
 <i>Net book value</i>			
<i>At 31 March 1995</i>	<u>-</u>	<u>7,799</u>	<u>7,799</u>

All computer equipment is held under finance leases

7. INVESTMENT	1996	1995
	£	£
Shares in unquoted company at cost	<u>1,000</u>	<u>1,000</u>

INTERNATIONAL TRAINING SERVICE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. WORK IN PROGRESS	1996	1995
	£	£
Current fee rate less provisions for known losses	146,500	98,026
Less: Payments receivable on account	<u>(158,582)</u>	<u>(183,322)</u>
	<u>(12,082)</u>	<u>(85,296)</u>

9. FINANCE LEASES		
Obligations under finance leases are payable as follows:		
Between one and two years	37,769	-
Between two and five years	<u>109,328</u>	<u>-</u>
	147,097	-
In one year or less	<u>31,068</u>	<u>-</u>
	<u>178,165</u>	<u>-</u>

10. 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 bi-annual valuations using the Projected Unit Method incorporating a 20 year control period. The most recent valuation was carried out as at 1 August 1994. 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 £2,759,000 and that this represented 93% of the benefits that had accrued to members after allowing for expected increases in earnings.

The company has adopted the provisions of Statement of 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 including death in service premiums amounted to £55,406 (1995 : £183,697).

11. RECONCILIATION OF MOVEMENT IN FUNDS	1996	1995
	£	£
Surplus/(Deficit) for the financial year	2,607	(121,190)
Opening funds	<u>267,764</u>	<u>388,954</u>
Closing funds	<u>270,371</u>	<u>267,764</u>