

Company No. 2308265 Charity No. 1003627

HEADS, TEACHERS AND INDUSTRY LIMITED

**COUNCIL OF MANAGEMENT AND TRUSTEES' REPORT
AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2006**

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HEADS, TEACHERS AND INDUSTRY LIMITED

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HEADS, TEACHERS AND INDUSTRY LIMITED

Company Information

President	Sir D Jones
Council of Management and Trustees	I R Douglas A J Frost P J Honey P J Maydon K M McCoy J W Oatridge S L Parkin M Ward M M Chapman M J Levett P J Graham R Patey
Secretary	M Giddings
Company Number	2308265
Charity Number	1003627
Registered Office	Herald Court University of Warwick Science Park Coventry CV4 7EZ
Auditors	Clement Keys Chartered Accountants 39/40 Calthorpe Road Edgbaston Birmingham B15 1TS
Bankers	Bank of Scotland 55 Temple Row Birmingham B2 5LS

HEADS, TEACHERS AND INDUSTRY LIMITED

COUNCIL OF MANAGEMENT AND TRUSTEES' REPORT FOR THE YEAR ENDED 30 JUNE 2006

The Council of Management and Trustees present their report and accounts for the year ended 30 June 2006.

Council of Management and Trustees

The trustees serving throughout the year were as follows:

P J Maydon	M M Chapman
I R Douglas	K M McCoy
A J Frost	J W Oatridge
P J Honey	M J Levett
P J Graham	M Ward
	S L Parkin

The members of the Council of Management are also the Directors of the company and Trustees of the charity.

In accordance with the Memorandum and Articles of Association 3 members retired by rotation and were subsequently re-elected.

The company information set out on page 1 forms part of this report.

Statement of Trustees' responsibilities

The trustees are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of its income and expenditure for that period. In preparing those financial statements, the trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company and group will continue in business;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and group 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 charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In determining how amounts are presented within the statement of financial activities and balance sheet, the trustees have had regard to the substance of the reported transactions or arrangement, in accordance with generally accepted accounting principles or practice.

So far as each of the trustees are aware at the time the report is approved:

- there is no relevant audit information of which the charitable company's auditors are unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

HEADS, TEACHERS AND INDUSTRY LIMITED

COUNCIL OF MANAGEMENT AND TRUSTEES' REPORT FOR THE YEAR ENDED 30 JUNE 2006 (continued)

Structure, governance and management

Governing document

The charity is constituted as a company limited by guarantee. Each member of the company undertakes to contribute a sum, not exceeding £1, to the company's assets if it is wound up while they are a member or within one year after ceasing to be a member.

The charity is governed by its Memorandum and Articles of Association and the policies made from time to time by the Board of Trustees.

Appointment of trustees

New procedures were written in the year concerning the appointment of future Trustees. These procedures follow the guidelines set out by the Charity Commission.

Trustee induction and training

An induction pack was written and published in the year which will be issued to all new Trustees. An audit of Trustee skills was also conducted along with a review of Trustee involvement. The results of these two pieces of work will drive forward the training and recruitment of Trustees in the year ahead.

Organisation

The charity is governed by its Board of Trustees which is responsible for formulating the strategies and policies of the charity including the approval of budgets and the exercising of the financial controls. The day to day management of the charity is delegated to the senior management team which comprises:

Chief Executive – Anne Evans
Trust Director – Roger Opie
Finance Director – Mike Giddings

The charity operates from premises on the University of Warwick Science Park, Coventry and an office at 1 London Bridge, London.

Related parties

The principal activity of the trading subsidiary, HTI Leadership Centre, is the delivery of qualifications and training in leadership skills for middle and senior management in schools nationally.

Objectives and activities

The work of the charity continues to underpin research into educational leadership at the business/education interface.

Review of activities

HTI is a thriving, not-for-profit social enterprise at the forefront of school leadership development, offering a diverse and innovative portfolio of leadership development opportunities regionally, nationally and internationally. What makes organisation different from other providers is the focus on aligning education provision with employability needs.

HEADS, TEACHERS AND INDUSTRY LIMITED

COUNCIL OF MANAGEMENT AND TRUSTEES' REPORT FOR THE YEAR ENDED 30 JUNE 2006 (continued)

The core themes for the work – leadership, employability, creativity and innovation, inclusion and environmental sustainability – are not randomly chosen. They reflect global issues and challenges that confront every sector across the world, not least our own schools.

New forms of leadership are required to manage change; new skills, attitudes and ways of working are required in a knowledge and service-based economy; creativity and innovation are vital to economic competitiveness; the vicious cycle of social exclusion must be tackled to give every child the best employability and life chances; environmental sustainability is about long overdue respect for our planet for the sake of future generations.

HTI is recognised by government and by the National College for School Leadership as the flagship provider of secondments.

There is a sixth core theme of HTI's work and that is partnership. We are delighted that this year has seen membership of the HTI Trust's Strategic Forum Group swell by more than 50 per cent, with representation from the business community growing strongly. This is a welcome sign that our message about partnership is getting through. Business input is vital, not only for stimulating meaningful debate about school leadership challenges and priorities, but also for driving forward action that will create an education system fit for the future.

Financial review

The consolidated results show that expenditure for the year exceeded income by £235,978. Page 8 of the financial statements shows that of this figure £119,755 is due to the timing of restricted fund resource movement last year, and that therefore a net movement in resources of £116,223 relates to unrestricted funds. The trading company result for the year was a loss of £116,735 which accounts for all of the unrestricted fund movement. The result of the trading company reflects the restructuring that took place during the year to better position the company for the much more commercial market place that it now finds itself operating within.

Investment policy

All investments made in the year have been made in accordance with the Trustees' powers of investment.

Reserves policy

The trustees believe that impartial research into issues of educational import should be conducted. For this reason it has been the policy in recent years to build the general reserves so that fellowships could be awarded to undertake such research. In 2002-3 the first fellowship was awarded. It is intended that this path should continue. At the same time reserves have been built to provide match-funding to support future research work.

Risk Management

The trustees undertake a full review of "group" risks every six months. Risk management appears on the agenda of each Trust meeting and the high risk areas are considered at the board sub group meetings for both the Trust and the Leadership Centre. The action needed to mitigate major risks are identified and documented and progress tracked at the six monthly reviews.

An Audit Sub Committee meets as a sub group of trustees which considers the financial implications of identified risks and monitoring of compliance with laws and regulations.

Restricted funds

The Statement of Financial Activities shows a net movement for the year before transfers of £119,755 (2005 net movement £150,271) and at the balance sheet date the restricted funds stand as £112,936 (2005 £123,661).

HEADS, TEACHERS AND INDUSTRY LIMITED

COUNCIL OF MANAGEMENT AND TRUSTEES' REPORT FOR THE YEAR ENDED 30 JUNE 2006
(continued)

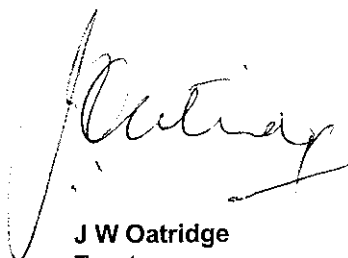
Unrestricted funds

The Statement of Financial Activities shows a net movement for the year before transfers of £116,223 (2005 net movement of £111,817) and at the balance sheet date, the unrestricted funds stand at £399,571 (2005 £624,824).

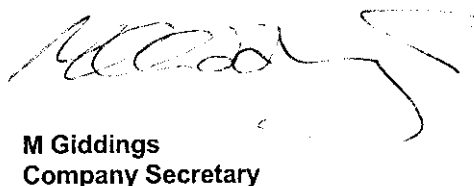
Auditors

The Auditors, Clement Keys, will be proposed for re-appointment in accordance with section 385 of the Companies Act 1985.

Signed on behalf of the Board of Trustees 11 October 2006



J W Oatridge
Trustee



M Giddings
Company Secretary

HEADS, TEACHERS AND INDUSTRY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HEADS, TEACHERS AND INDUSTRY LIMITED

We have audited the financial statements for the year ended 30 June 2006 on pages 8 to 22. These financial statements have been prepared under the historical cost convention and 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 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 described in the Statement of Trustees' Responsibilities the company's trustees are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 if, in our opinion, the Council of Management and Trustees' 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 trustees' remuneration and transactions with the company is not disclosed.

We read the Council of Management and Trustees' 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 Audit 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 trustees 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.

HEADS, TEACHERS AND INDUSTRY LIMITED


**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HEADS, TEACHERS AND INDUSTRY
LIMITED
(continued)**

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the charitable company's affairs and the group's affairs at 30 June 2006 and the group's incoming resources and application of resources, including its income and expenditure, for the year ended;
- the financial statements have been properly prepared in accordance with Companies Act 1985; and
- the information given in the Council of Management and Trustees' Report is consistent with the financial statements.

CLEMENT KEYS
Chartered Accountants
Registered Auditors



39/40 Calthorpe Road
Edgbaston
Birmingham
B15 1TS

11 October 2006

HEADS, TEACHERS AND INDUSTRY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES For the year ended 30 June 2006

	Note	Unrestricted Funds £	Restricted Funds £	Total Funds 2006 £	Total Funds 2005 £
INCOMING RESOURCES					
Incoming resources from generated funds					
Voluntary income	10	-	-	-	8,000
Activities for generating funds	11	293,006	-	293,006	223,350
Investment income	12	6,163	-	6,163	36,318
Incoming resources from charitable activities	13	4,732,863	221,216	4,954,079	4,681,194
Other incoming resources		3,259	-	3,259	-
TOTAL INCOMING RESOURCES		5,035,291	221,216	5,256,507	4,948,862
RESOURCES EXPENDED					
Costs of generating funds					
Costs of generating voluntary income		43,051	-	43,051	32,275
Costs of trading activities		482,214	-	482,214	423,541
Charitable activities		4,612,237	340,971	4,953,208	4,520,805
Governance costs		14,012	-	14,012	10,695
TOTAL RESOURCES EXPENDED	14	5,151,514	340,971	5,492,485	4,987,316
NET MOVEMENT IN RESOURCES BEFORE TRANSFERS		(116,223)	(119,755)	(235,978)	(38,454)
TRANSFERS BETWEEN FUNDS		(109,030)	109,030	-	-
NET MOVEMENT IN RESOURCES AFTER TRANSFERS		(225,253)	(10,725)	(235,978)	(38,454)
FUND BALANCES BROUGHT FORWARD		624,824	123,661	748,485	786,939
FUND BALANCES CARRIED FORWARD		399,571	112,936	512,507	748,485

The Consolidated Statement of Financial Activities contains all the recognised gains and losses of the year and it reflects the continuing operations of the company. There were no material acquisitions or discontinued operations.

The net movement in resources for the company itself in the year is a net expenditure of £119,243 (2005: net expenditure of £38,454).

The notes on pages 12 to 22 form part of these accounts.

HEADS, TEACHERS AND INDUSTRY LIMITED

CONSOLIDATED SUMMARY INCOME AND EXPENDITURE ACCOUNT

For the year ended 30 June 2006

	2006	2005
	£	£
Gross income of continuing operations	5,256,507	4,948,862
Total expenditure of continuing operations	(5,492,485)	(4,987,316)
Net expenditure for the year	(235,978)	(38,454)

HEADS, TEACHERS AND INDUSTRY LIMITED

CONSOLIDATED BALANCE SHEET

As at 30 June 2006

	Note	£	2006 £	£	2005 £
FIXED ASSETS					
Tangible assets	2		358,234		415,506
CURRENT ASSETS					
Debtors	5	2,625,309		944,972	
Cash at bank and in hand		32,473		651,026	
			2,657,782	1,595,998	
CREDITORS: amounts falling due within one year	6	(2,503,509)		(1,263,019)	
NET CURRENT ASSETS			154,273		332,979
TOTAL ASSETS			512,507		748,485
UNRESTRICTED FUNDS					
General fund	7		277,696		386,214
Non charitable trading funds			121,875		238,610
			399,571		624,824
RESTRICTED FUNDS	8		112,936		123,661
TOTAL FUNDS			512,507		748,485

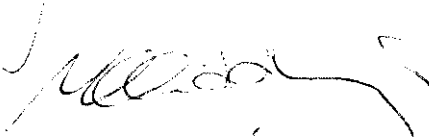
The financial statements were approved by the Trustees and Council of Management on 11 October 2006 and signed on their behalf by

J W Oatridge



Member of the Council and Trustee

M Giddings



Secretary

HEADS, TEACHERS AND INDUSTRY LIMITED

COMPANY BALANCE SHEET

As at 30 June 2006

	Note	£	2006 £	£	2005 £	£
FIXED ASSETS						
Tangible assets	3		-			569
Investment	4		1			1
			1			570
CURRENT ASSETS						
Debtors	5	386,329		217,632		
Cash at bank and in hand		32,373		309,190		
			418,702		526,822	
CREDITORS: amounts falling due within one year	6	(28,071)		(17,517)		
NET CURRENT ASSETS			390,631		509,305	
TOTAL ASSETS LESS CURRENT LIABILITIES			390,632		509,875	
UNRESTRICTED FUNDS	7		277,696		386,214	
RESTRICTED FUNDS	8		112,936		123,661	
TOTAL FUNDS			390,632		509,875	

The financial statements were approved by the Trustees and Council of Management on 11 October 2006 and signed on their behalf by

J W Oatridge

Member of the Council and Trustee

M Giddings

Secretary

HEADS, TEACHERS AND INDUSTRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2006

1 ACCOUNTING POLICIES

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention. They are prepared in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities" published in March 2005 the Companies Act 1985.

Certain prior year figures have been reclassified in consequences of implementing the new SORP.

Basis of consolidation

These financial statements consolidate the results of the charity and its wholly-owned trading subsidiary, HTI Leadership Centre Limited, on a line by line basis.

The charity has availed itself of paragraph 3(3) of Schedule 4 of the Companies Act 1985 and adapted the Companies Act formats to reflect the special nature of the charity's activities. No separate SOFA has been presented for the charity alone as permitted by Section 230 of the Companies Act 1985 and paragraph 397 of SORP 2005.

Cash flow

The company has taken advantage of the exemption in Financial Reporting Standard No.1 from the requirement to produce a cash flow statement on the grounds that it qualifies as a small group.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at the following annual rates to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Computer equipment	3 years	Straight line
Fixtures and fittings	3 years	Straight line
Improvements to property	10 years	Straight line

Computer equipment purchased prior to 1 July 2005 is depreciated over two years on a straight line basis.

Incoming resources

All incoming resources are included in the Statement of Financial Activities when the charitable company is entitled to the income and the amount can be quantified with reasonable accuracy. The following specific policies are applied to particular categories of income:

- Fees receivable are accounted for in the period in which the service is provided.
- Voluntary income by way of grants, donations and gifts is included in full in the Statement of Financial Activities when receivable. Grants, where entitlement is not conditional on the delivery of a specific performance by the charitable company, are recognised when it becomes unconditionally entitled to the grant.
- Donated services and facilities are included at the value of the charitable company where this can be quantified. The value of services provided by volunteers has not been included in these accounts.

HEADS, TEACHERS AND INDUSTRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the year ended 30 June 2006**

Volunteers and gifts in kind

The charity benefits from the voluntary hours and unclaimed out-of-pocket expenses contributed by certain members of the Council of Management. In addition, companies, organisations and individuals have in certain cases, provided the use of facilities, equipment and premises for various activities and meetings without charge. It is impossible to place a value on all these gifts in kind for which the charity is extremely grateful and without which, a certain amount of the work undertaken could not be achieved.

Resources expended

Expenditure is recognised on an accruals basis as a liability is incurred.

Charitable expenditure comprises those costs incurred by the charitable company in the delivery of its activities and services for its beneficiaries.

Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charitable company and include audit fees and costs linked to the strategic management of the charitable company.

All cost are allocated between the expenditure categories of the Statement of Financial Activities on a basis designed to reflect the use of the resource. Costs relating to a particular activity comprise both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

Value added tax

Value added tax is not recoverable by the company and, as such, it is included in the cost of the related expense or asset.

Operating leases

Payments under an arrangement which is in substance of a rental nature ("operating lease") are charged to income and expenditure on a straight line basis over the operating lease term.

Pensions

The company makes contributions to personal arrangements of certain employees. Contributions payable by the company are charged to income and expenditure in the period to which they relate.

Taxation

As a charitable company, Heads, Teachers and Industry Limited is exempt from tax on income and gains falling within section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Charitable Gains Act 1992 to the extent that these are applied to its charitable objects. No tax charges have arisen within the charitable company. The trading subsidiary is subject to corporation tax (see note 16).

HEADS, TEACHERS AND INDUSTRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2006

Deferred taxation

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date, except for gains on disposal of fixed assets which will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

2 TANGIBLE FIXED ASSETS - GROUP

	Computer equipment £	Fixtures and fittings £	Improvements to property £	Total £
Cost				
At 1 July 2005	244,118	70,404	455,417	769,939
Additions	16,800	5,781	8,781	31,362
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2006	260,918	76,185	464,198	801,301
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 July 2005	205,043	42,241	107,149	354,433
Charge for the year	33,718	8,496	46,420	88,634
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2006	238,761	50,737	153,569	443,067
	<hr/>	<hr/>	<hr/>	<hr/>
Net book amount				
At 30 June 2006	22,157	25,448	310,629	358,234
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2005	39,075	28,163	348,268	415,506
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HEADS, TEACHERS AND INDUSTRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

3	TANGIBLE FIXED ASSETS - COMPANY	Fixtures and fittings	Computer equipment	Total
		£	£	£
	Cost			
	At 1 July 2005 and 30 June 2006	<u>5,931</u>	<u>19,444</u>	<u>25,375</u>
	Depreciation			
	At 1 July 2005	5,931	18,875	24,806
	Charge	<u>-</u>	<u>569</u>	<u>569</u>
	At 30 June 2006	<u>5,931</u>	<u>19,444</u>	<u>25,375</u>
	Net book amount			
	At 30 June 2006	<u>-</u>	<u>-</u>	<u>-</u>
	At 30 June 2005	<u>-</u>	<u>569</u>	<u>569</u>

4	FIXED ASSET INVESTMENT - COMPANY	£
	Cost at 30 June 2006 and 30 June 2005	<u>1</u>

This represents 100% of the issued ordinary share capital of HTI Leadership Centre Limited, an education training and consultancy company, registered in England and Wales.

5	DEBTORS: amounts falling due within one year	2006		2005	
		Group £	Company £	Group £	Company £
	Trade debtors	1,141,232	77,555	359,040	30,859
	Other debtors	3,249	-	-	-
	Amounts due from subsidiary	-	291,162	-	161,285
	Prepayments and accrued income	<u>1,480,828</u>	<u>17,612</u>	<u>585,932</u>	<u>25,488</u>
		<u>2,625,309</u>	<u>386,329</u>	<u>944,972</u>	<u>217,632</u>

HEADS, TEACHERS AND INDUSTRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

6 CREDITORS

	2006		2005	
	Group	Company	Group	Company
	£	£	£	£
Bank loans and overdrafts	715,585	-	-	-
Trade creditors	487,201	21,587	502,750	-
Amounts due to subsidiary company	-	-	-	15,038
Accruals and deferred income	1,039,412	6,484	534,502	2,479
Corporation tax	-	-	3,249	-
Social Security and other taxes	62,426	-	62,622	-
Other creditors	198,885	-	159,896	-
	<u>2,503,509</u>	<u>28,071</u>	<u>1,263,019</u>	<u>17,517</u>

The bank overdraft is secured on the assets of the subsidiary company.

7 GENERAL FUND

	Group	Company
	£	£
At 1 July 2005	624,824	386,214
Net income/(expenditure) for the year	(116,223)	512
Transfer to restricted fund	(109,030)	(109,030)
At 30 June 2006	<u>399,571</u>	<u>277,696</u>

The Board of subsidiary, HTI Leadership Centre Limited resolved, during the year, that covenanted profits should be restricted and this has been applied in respect of the transfer for 2004/05.

8 RESTRICTED FUNDS

	Balance at 1 July 2005	Incoming Resources	Resources Expended	Transfers	Balance at 30 June 2006
	£	£	£	£	£
Skills gap	-	6,000	1,000	-	5,000
Industry in Education	72,721	-	57,024	-	15,697
HTI 2004/5	-	-	42,049	109,030	66,981
Perform Through Sport	-	135,136	135,136	-	-
Arts 4 All	-	10,000	2,500	-	7,500
Employability in the City	-	10,000	3,138	-	6,862
International Secondment	21,114	-	21,138	-	(24)
Lead into future	24,537	30,000	54,537	-	-
Arts and Disadvantaged	5,289	10,080	15,374	-	5
Go Skills	-	20,000	9,075	-	10,925
	<u>123,661</u>	<u>221,216</u>	<u>340,971</u>	<u>109,030</u>	<u>112,936</u>

HEADS, TEACHERS AND INDUSTRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

9 ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £	Restricted Funds £	Total Funds £
Tangible fixed assets	358,234	-	358,234
Net current assets	38,078	112,936	151,014
	<u>396,312</u>	<u>112,936</u>	<u>509,248</u>

10 VOLUNTARY INCOME

	Unrestricted Funds £	Restricted Funds £	Total 2006 £	Total 2005 £
Donations	-	-	-	8,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,000</u>

11 ACTIVITIES FOR GENERATING FUNDS

	Unrestricted Funds £	Restricted Funds £	Total 2006 £	Total 2005 £
Lettings and catering	293,006	-	293,006	223,550
	<u>293,006</u>	<u>-</u>	<u>293,006</u>	<u>223,550</u>

12 INVESTMENT INCOME

	Unrestricted Funds £	Restricted Funds £	Total 2006 £	Total 2005 £
Interest on cash deposits	6,163	-	6,163	36,318
	<u>6,163</u>	<u>-</u>	<u>6,163</u>	<u>36,318</u>

HEADS, TEACHERS AND INDUSTRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

13 INCOME FROM CHARITABLE ACTIVITIES

	Unrestricted Funds £	Restricted Funds £	Total 2006 £	Total 2005 £
Membership	106,843	-	106,843	82,500
Educational projects	-	221,216	221,216	292,543
Professional development programmes	4,442,486	-	4,442,486	4,027,885
Other activities	183,534	-	183,534	278,266
	<u>4,732,863</u>	<u>221,216</u>	<u>4,954,079</u>	<u>4,681,194</u>

14 RESOURCES EXPENDED

	Direct costs £	Support costs £	Total 2006 £	Total 2005 £
Costs of generating funds	237,926	287,339	525,265	455,816
Costs of charitable activities				
Membership	5,043	54,885	59,928	48,664
Educational projects	340,971	108,156	449,127	338,471
Professional development programmes	2,898,659	878,159	3,776,818	3,711,807
Other activities	381,612	285,723	667,335	421,863
Governance	-	14,012	14,012	10,695
	<u>3,864,211</u>	<u>1,628,274</u>	<u>5,492,485</u>	<u>4,987,316</u>

Support costs

	Generating funds £	Charitable activities £	Governance £	Total 2006 £	Total 2005 £
Staff costs	136,671	631,144	-	767,815	729,961
Premises costs	49,172	227,074	-	276,246	231,138
Other office costs	19,684	90,901	-	110,585	74,946
Marketing	38,985	180,031	-	219,016	185,001
Legal and professional	2,316	10,694	12,588	25,598	12,509
Other miscellaneous costs	40,511	187,079	1,424	229,014	194,432
Taxation	-	-	-	-	3,249
	<u>287,339</u>	<u>1,326,923</u>	<u>14,012</u>	<u>1,628,274</u>	<u>1,431,236</u>

HEADS, TEACHERS AND INDUSTRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

15 NET INCOMING RESOURCES AND OPERATING PROFIT

	2006 £	2005 £
Net incoming resources and operating profit are stated after charging the following:		
Depreciation of owned fixed assets	88,065	77,568
Operating lease rentals – land and buildings	208,598	180,216
– equipment	26,720	18,628
Auditors' remuneration	12,588	8,808

16 TAXATION

The trading subsidiary suffered tax on its operations for the year as follows:

Analysis of tax (credit)/charge in year

Current tax (see note below)

UK corporation tax on profits of the year	(3,259)	3,249
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Factors affecting tax charge for year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (19%). The differences are explained below:

	Year ended 30 June 2006 £	Year ended 30 June 2005 £
Loss on ordinary activities before tax	(119,994)	-
Loss on ordinary activities multiplied by standard rate of Corporation tax in the UK of 19% (2005-19 %)	(22,799)	-
Effects of:		
Expenses not deductible for tax purposes	2,273	2,278
Depreciation for period in excess of capital allowances	7,783	2,848
Losses carried forward	8,244	-
Capitalised revenue expenditure	-	(627)
Starting rate relief	1,250	(1,250)
Over provision in respect of prior year	(10)	-
Current tax (credit)/charge for year (see note above)	(3,259)	3,249

HEADS, TEACHERS AND INDUSTRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

17 NET INCOME FROM TRADING ACTIVITIES OF SUBSIDIARY

The charity has a wholly owned trading subsidiary which is incorporated in England and Wales. HTI Leadership Centre Limited provides training services to serving senior teachers and management consultancy to organisations in the education and training services. A summary of its results is shown below. Audited accounts will be filed with the Registrar of Companies.

Profit and loss account	£
Turnover	4,922,326
Cost of sales	<u>(3,494,509)</u>
Gross profit	1,427,817
Administration expenses	<u>(1,547,811)</u>
Interest receivable	-

Net loss before taxation	(119,994)
Taxation	3,259
Covenant	-

Net loss after taxation	<u>(116,735)</u>
	=====
The aggregate of the subsidiary's assets and liabilities was;	
Assets	2,888,476
Liabilities	<u>(2,766,600)</u>
	=====
Shareholders' funds	<u>121,876</u>
	=====

HEADS, TEACHERS AND INDUSTRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

18	DIRECTORS AND EMPLOYEES	2006 £	2005 £
	Staff costs		
	Wages and salaries	1,414,482	1,237,082
	Social security costs	146,988	139,397
	Pension costs	58,899	30,477
		<u>1,620,369</u>	<u>1,406,956</u>

Included within staff costs above is an exceptional item of £80,000 being redundancy costs in respect of restructuring within the subsidiary company.

Average number of employees (including members of Council of Management and Trustees)

	2006 No.	2005 No.
Staff services	<u>48</u>	<u>43</u>

Within the subsidiary company the number of employees earning above £60,000 was as follows:

	2006 No	2005 No
Between £60,000 - £70,000	1	4
Between £70,000 - £80,000	2	-
Between £110,000 - £120,000	-	1
Between £140,000 - £150,000	1	-
	<u>4</u>	<u>5</u>

No Trustee received any remuneration during the year. Out of pocket expenses totalling £179 were reimbursed to three Trustees during the year.

19 MEMBERS GUARANTEE

The Company is limited by guarantee. Each member of the company undertakes to contribute a sum, not exceeding £1, to the Company's assets if it should be wound up while they are a member or within one year after ceasing to be a member.

HEADS, TEACHERS AND INDUSTRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2006

20 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the forthcoming year:

	2006		2005	
	Land and buildings £	Other £	Land and buildings £	Other £
Leases expiring				
- within 1 year	4,500	-	4,500	3,981
- between 2-5 years	-	24,384	-	27,924
- after 5 years	<u>148,008</u>	<u>-</u>	<u>148,008</u>	<u>-</u>
	<u>152,508</u>	<u>24,384</u>	<u>152,508</u>	<u>31,905</u>