

ENGINEERING TRAINING AUTHORITY

REPORT AND FINANCIAL STATEMENTS

31 MARCH 1996

Registered in England and Wales - Number 2324869



ENGINEERING TRAINING AUTHORITY

REPORT AND FINANCIAL STATEMENTS 31 MARCH 1996

Auditors and Financial Advisors

Price Waterhouse

10 Bricket Road
St Albans
Herts AL1 3JX

Investment Managers

Barclays Private Bank Limited

incorporating BZW Portfolio Management
59, Grosvenor Street,
London W1X 9DA

Property Managers

Fletcher King

Stratton House
Stratton Street
London W1X 5FE
from 1 May 1995

Bankers

Barclays Bank plc

32 Clarendon Road
Watford WD1 1JJ

Solicitors

Davenport Lyons

1 Old Burlington Street
London W1X 1LA

Registered Office

Vector House
41 Clarendon Road
Watford WD1 1HS

ENGINEERING TRAINING AUTHORITY

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CHAIRMAN'S STATEMENT

My first statement in 1995 was written at a time when the number of employers and employees committed to S/NVQs was beginning to accelerate.

In the current year, EnTra's systems have undergone a major overhaul in order to cope with this pace of change. There were three key objectives driving the changes :-

- the introduction of a registration system to monitor the progress of candidates through the S/NVQ process
- the creation of an "external verification" team to manage the quality of EnTra's awards and assessment procedures
- the creation of a specialist product development team responsible for converting occupational standards into usable qualifications.

The changes have underpinned our renewed commitment to the quality of our products and systems and to improvements in customer service. They have resulted in major, and continuing, improvement in computer systems and our lines of communication have become faster and more effective.

In strategic terms, it has been a busy year and alliances have been formed with Aviation Training Association and the RSA Examination Board. Most importantly, a merger with Marine & Engineering Training Association has been in the making for six months and a final agreement is, as I write, on the point of signature. This is an important first step in the rationalisation of the training of engineers and we believe it will hugely assist the merged organisation in becoming a major National Training Organisation.

REVIEW OF ACTIVITIES

A full review is given in the Trustees' Report.


THE COUNCIL

My first full year has been an eventful one and I am indebted to all members of the EnTra Council for their unstinting support at meetings, events and on the committees. The improving perception of our role is in no small part due to their efforts.

EMPLOYEES

The staff have continued to work tirelessly under the leadership of Dr Michael Sanderson and my thanks goes to them for the enthusiasm with which they have implemented the changes introduced by the new management team.

The group is now well-placed to make a substantial contribution to improve skill levels in our industry and provide high quality vocational awards to monitor the progress towards the achievement of national training targets.



Rt. Hon. Lord Trefgarne PC

25 September 1996

ENGINEERING TRAINING AUTHORITY

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TRUSTEES' REPORT

OBJECTIVES

The objects of the Engineering Training Authority are to promote and advance the training of persons employed or intending to be employed as engineers.

The key policies adopted in order to achieve these objectives are :

- Development and promotion of occupational standards.
- Working with employers and TECs to develop programmes of initial training.
- Encouraging life long learning and commitment to the liP standard.
- Identifying and monitoring the skills and training needs of engineers.
- Providing information to employers about training.
- Encouraging young people to choose an engineering career.

REVIEW OF ACTIVITIES

The Charity performs the function of an Industry Training Organisation and an Industry Lead Body under the control of its Technical Director. This is funded from investment income and from profits covenanted to it by trading subsidiaries. Each of the trading activities is managed by the Commercial Director for maximum return. The portfolio of investments generating income includes direct investment in property which comprises about 20% of the portfolio by value.

1995/96 was a year of significant development and achievement for EnTra. The NVQ business grew sharply during the period with a record number of qualifications being awarded at Levels 2 and 3. A new system of candidate registration and charging was introduced in the autumn and has proved a great success. Customers have welcomed the system which enables EnTra to monitor candidates through the assessment process.

A long-term initiative to introduce NVQs into European Gas Turbines Ltd. as part of a company-wide flexibility training programme was rewarded with a National Training Award gained jointly with the company - and the IPD Award for Provision of Training Excellence. The Engineering Reformation Project continued its work of reviewing all the national occupational standards. EnTra acted as one of the three managers of the project in collaboration with the Marine and Engineering Training Association and the Engineering Construction Industry Training Board, with involvement from some 45 Industry Lead Bodies. The standards were published in June 1996 and will lead to a new range of qualifications. A new Product Development team has been formed to handle this task. EnTra has been pivotal in discussions to set up a new Occupational Standards Council for Engineering and has been actively putting forward the views of industry to ensure that the new body will be employer led.

After a successful pilot, Modern Apprenticeships in engineering manufacture were launched nationwide in September 1995. As a result of our extensive work with Training and Enterprise Councils, training providers and employers to promote their uptake, engineering accounted for the highest number of young people entering Modern Apprenticeships in all sectors during their first year.

EnTra carried out an international skills benchmarking project within the semiconductor sector on behalf of the DfEE and this data was used in the recently published Competitiveness White Paper.

An important part has been played in helping industry benefit from the government initiatives announced in the White Paper. We assisted with bids from several consortia of small companies to help them access funds under the Small Firms Skills Challenge and are now managing the four successful projects. One of these was singled out by Under-Secretary of State for Education and Employment, James Paice MP, for special merit at a national conference. EnTra's was one of six bids accepted under the Sector Targets Challenge. Jointly with the Engineering Employers' Federation and Investors in People (liP) UK, we produced a guide on liP to help small and medium sized establishments achieve the standards and realise the business benefits.

A key role was played by the Chief Executive, who chaired Task Force 3 in the Action for Engineering initiative. This culminated in the organisation of five major conferences in June/July 1996 and the development of "The Training Challenge".

ENGINEERING TRAINING AUTHORITY

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TRUSTEES' REPORT (continued)

We continue to seek to form strategic alliances with other bodies who have an interest in training engineers. The objective is to reduce the number of organisations which employers and government have to deal with. A merger was recently announced with Marine and Engineering Training Association which is planned for the 1st October 1996, and several other alliances are currently under discussion.

Careers information and related activities continue to be a vital part of our work. This year the ever-popular Insight course ran at ten universities, giving 450 sixth form girls the opportunity to explore engineering as a career. Realising the need for the right sort of information at an early age, we produced " Design and Technology in Action " - a resource pack to help primary school teachers deliver the National Curriculum in this important subject. The pack helps explain the role of engineering to young children and their teachers and was commended by DfEE minister, Robin Squire MP, at a national launch.

The new management team have focused on the improvement of customer service and quality as the key drivers of change. During the year a survey of user attitudes to EnTra's NVQs and SVQs was completed and the results will help enable staff to meet the needs of employers more fully. November 1995 saw the launch of our "new look" magazine, EnTraMatters, following a readership survey in the summer. An enhanced Customer Services team and restructured field operations have been put in place and this will help provide a more comprehensive service and maintain the quality of provision which industry has come to expect.

REVIEW OF FINANCIAL POSITION

The profit and loss account is again materially influenced by provisions relating to property and by redundancy costs.

The closure of Sheffield Training Centre proved very costly as problems with the building resulted in a reduction in the anticipated selling price. The total closure cost, paid partly in the previous year, was £1,563,000.

The property management subsidiary had another difficult year as more properties were sold and values of the remaining buildings downgraded further. The two other trading subsidiaries performed well and between them provided income of £236,000.

A recovery in stock market prices and wider investment powers following the relaxation of the Trustee Investment Act generated a welcome increase in the value of investments and the movement in the value of the balance sheet was positive despite the large exceptional changes.

In a year where there were so many movements in reserves, it was comforting to note that the cash flow was broadly neutral.

Following the publication of the Statement of Recommended Practice "Accounting by Charities" the accounts incorporate a Statement of Financial Activities and supporting notes at note 23

With the restructuring of the organisation complete and the balance sheet still strong, the Group is well placed to provide improved services to the sector in the coming years.



Rt. Hon. Lord Trefgarne PC

ENGINEERING TRAINING AUTHORITY

REPORT AND FINANCIAL STATEMENTS 31 MARCH 1996

REPORT OF THE COUNCIL

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

COUNCIL MEMBERS' RESPONSIBILITIES

Company law requires the Council members to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the profit or loss of the group for that 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Council members 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 safe-guarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the Authority is the advancement of training in the engineering industry. The company acts as the Industry Training Organisation and Lead Body in the manufacturing engineering sector and is a recognised awarding body.

CORPORATE GOVERNANCE

The key internal financial control procedures are summarised as follows :

Control environment :

There is a clear organisational structure with well defined lines of responsibility and delegation of appropriate levels of authority.

Risk management :

Business strategy, business plans and treasury and property operations are reviewed by the Finance and General Purposes committee who make policy recommendations to the full Council. Detailed appraisals are undertaken and financial implications evaluated prior to all capital expenditure and projects.

Financial reporting :

A comprehensive system of budgets and forecasts is in place, with quarterly monitoring and reporting of actual results against targets to the Finance and General Purposes Committee of the Council.

Control procedures and monitoring systems :

Authority levels and procedures and other systems of internal financial control are documented, applied and regularly reviewed by the Audit Committee. In addition, the Audit Committee meets twice yearly with the external auditors to discuss audit planning and the results of their audit work. The auditors meet the Audit Committee in private session as part of this process.

RESULTS

The results for the year are set out on page 7. The Council recommend that the loss is transferred from reserves.

ENGINEERING TRAINING AUTHORITY

REPORT AND FINANCIAL STATEMENTS 31 MARCH 1996

REPORT OF THE COUNCIL (continued)

FIXED ASSETS

Details of tangible fixed assets are shown in note 10 to the accounts.

At the 31st March 1996, the market value of occupied properties is approximately £1,000,000 less than their carrying value in the balance sheet. The directors believe that this shortfall is temporary and the market value will recover by the date of the next professional valuation.

COUNCIL MEMBERS

As directors of the company, the Council members are responsible for overseeing the company's business in a manner consistent with its charitable objectives. They are also guarantors to the company.

The members of Council who held office during the year were :

Lord Trefgarne	Chairman	Mrs K Levine	
D'ATN Payne	(Deputy Chairman)	R I Meakin	
J S Allanby		M H Parkinson OBE	
D Ball		G M Read	(Resigned 13 Sep 1995)
J M Barnes	(Appointed 13 Sep 1995)	M W Regan	(Appointed 13 Sep 1995)
J C Braidwood *		A Robson	
J F Briffitt	(Appointed 13 Sep 1995)	D N Scahill	
M P Chapman	(Appointed 13 Sep 1995)	G H Wycherley	
M G Davies	(Appointed 13 Sep 1995)	I R Young *	
S J Hamer			
B D Insch *			
D Jewell	(Appointed 28 Feb 1996)		
J L Kinloch	(Resigned 13 Sep 1995)		

* Member of the Audit Committee

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

As permitted under the Companies Act 1989 and under the company's articles of association, the company has maintained insurance in respect of directors' and officers' liabilities incurred in connection with the discharge of their duties

CHARITABLE STATUS

The company is limited by guarantee and is a registered charity - No. 1000328

AUDITORS

Price Waterhouse have expressed their willingness to continue in office. In accordance with Section 384 of the Companies Act 1985, a resolution proposing their re-appointment as auditors of the company will be put to the Annual General Meeting.

By order of the Council

P W WHITEMAN
Secretary

Vector House
41 Clarendon Road
Watford, WD1 1HS
25 September 1996

ENGINEERING TRAINING AUTHORITY

AUDITORS' REPORT TO THE MEMBERS OF ENGINEERING TRAINING AUTHORITY

We have audited the financial statements on pages 7 to 25 which have been prepared under the historical cost convention, as modified by the revaluation of properties, and the accounting policies set out on pages 12 and 13.

Respective responsibilities of directors and auditors

As described on page 4 the company's Council members are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

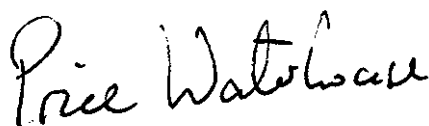
Basis of opinion

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 Council members 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 mis-statement, 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 March 1996 and of the group's loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Price Waterhouse
Chartered Accountants
and Registered Auditors
St Albans

25 September 1996

ENGINEERING TRAINING AUTHORITY

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1996

	Note	1996 £'000	1995 £'000
Turnover	3	4,778	5,330
Change in stocks of finished goods		(54)	(25)
Other operating income	4	504	1,064
		<hr/> 5,228	<hr/> 6,369
Materials and external charges		1,381	1,932
Staff costs	5	3,356	3,754
Depreciation	1(b)	411	517
Other operating charges		2,885	1,975
		<hr/> 8,033	<hr/> 8,178
Operating loss	6	(2,805)	(1,809)
Profit / (Loss) on sale of properties		48	(114)
Permanent diminution in value of property	7	(256)	(803)
Loss on ordinary activities before interest		(3,013)	(2,726)
Investment income	8	2,039	1,394
Retained loss for the financial year	19	<hr/> (974)	<hr/> (1,332)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 1996

Loss for the financial year	(974)	(1,332)
Unrealised surplus / (deficit) on investments	2,350	(1,391)
Unrealised (deficit) / surplus on properties	(568)	762
Total gains and losses recognised	<hr/> 808	<hr/> (1,961)

There are no movements in capital and reserves other than those shown above.

All figures relate to continuing operations.
The notes on pages 12 - 25 form part of these accounts.

ENGINEERING TRAINING AUTHORITY


GROUP BALANCE SHEET - 31 MARCH 1996

	Note	1996 £'000	1995 £'000
FIXED ASSETS			
Tangible assets	10	3,332	3,918
Investment properties	11	6,555	9,286
Investments	12	26,251	22,666
		<u>36,138</u>	<u>35,870</u>
CURRENT ASSETS			
Stocks	14	102	156
Debtors	15	2,125	1,447
Investments	16	889	985
		<u>3,116</u>	<u>2,588</u>
CREDITORS			
Amounts falling due within one year	17	(2,279)	(2,355)
		<u>837</u>	<u>233</u>
NET CURRENT ASSETS			
		<u>36,975</u>	<u>36,103</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS			
Amounts falling due after more than one year	17	(69)	-
PROVISIONS FOR LIABILITIES AND CHARGES	18	(1,307)	(1,312)
		<u>35,599</u>	<u>34,791</u>
CAPITAL AND RESERVES			
Capital reserve	19	36,504	36,504
Revaluation reserve	19	1,833	(518)
Profit and loss account	19	(2,738)	(1,195)
		<u>35,599</u>	<u>34,791</u>

The financial statements were approved by the Council on 25 September 1996 and are signed on its behalf by:



Rt Hon Lord Trefgarne PC
Chairman



I R Young
Council member


The notes on pages 12 - 25 form part of these accounts.

ENGINEERING TRAINING AUTHORITY

BALANCE SHEET - 31 MARCH 1996

	Note	1996 £'000	1995 £'000
FIXED ASSETS			
Tangible assets	10	455	1,273
Investment properties	11	2,788	3,113
Investments	12	26,251	22,666
Investment in subsidiaries	13	1,000	-
		<u>30,494</u>	<u>27,052</u>
CURRENT ASSETS			
Stocks	14	-	156
Debtors	15	1,577	1,316
Investments	16	889	985
		<u>2,466</u>	<u>2,457</u>
CREDITORS			
Amounts falling due within one year	17	(2,428)	(2,485)
NET CURRENT ASSETS / (LIABILITIES)		<u>38</u>	<u>(28)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		30,532	27,024
CREDITORS			
Amounts falling due after more than one year	17	(37)	-
PROVISIONS FOR LIABILITIES AND CHARGES	18	(1,032)	(1,153)
		<u>29,463</u>	<u>25,871</u>
CAPITAL AND RESERVES			
Capital reserve	19	36,504	36,504
Revaluation reserve	19	2,478	553
Profit and loss account	19	(9,519)	(11,186)
		<u>29,463</u>	<u>25,871</u>

The financial statements were approved by the Council on 25 September 1996 and are signed on its behalf by:


Rt Hon Lord Trefgarne PC
Chairman



I R Young
Council member

The notes on pages 12 - 25 form part of these accounts.

ENGINEERING TRAINING AUTHORITY

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 1996

	Note	1996 £'000	1995 £'000
Operating Activities			
Cash received from customers		5,896	7,278
Cash payments to employees		(3,356)	(3,754)
Cash payments to suppliers		(3,874)	(4,037)
Redundancy payments		(1,293)	-
Cash payments to Customs and Excise		(502)	(422)
Net cash outflow from operating activities	a)	(3,129)	(935)
Returns on investments and servicing of finance			
Investment income received		1,652	1,444
Net cash inflow from returns on investments and servicing of finance		1,652	1,444
Taxation		87	-
Investing Activities			
Payments to acquire tangible fixed assets		(398)	(406)
Receipts from the sale of tangible fixed assets		314	64
Receipts from the sale of investment properties		2,406	1,386
Payments to acquire fixed asset investments		(1,042)	(1,386)
Net cash inflow / (outflow) from investing activities		1,280	(342)
Net cash (outflow) / inflow before financing		(110)	167
Financing			
Loan repayments received		52	105
Capital element of Finance lease rental payments		(2)	-
Net cash inflow from financing		50	105
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	c)	(60)	272

ENGINEERING TRAINING AUTHORITY

NOTES TO THE GROUP CASH FLOW STATEMENT FOR THE YEAR
ENDED 31 MARCH 1996

	1996 £'000	1995 £'000
a) Reconciliation of operating loss to net cash outflow from operating activities		
Operating loss	(2,805)	(1,809)
Depreciation	411	517
Amortisation of deferred grant	(5)	(5)
(Decrease)/Increase in provisions	(5)	30
Profit on sale of fixed assets	(109)	(28)
Decrease in creditors	8	(257)
(Increase) / Decrease in debtors	(678)	592
Decrease in stocks	54	25
Net cash outflow from operating activities	(3,129)	(935)
b) Analysis of changes in financing during the year		
		Loans £'000
Balance at 1 April 1995		(209)
Loan repayments		68
Interest		(16)
Inception of finance lease contract		58
Finance lease repayments		(2)
Balance at 31 March 1996		(101)
c) Analysis of balances of cash and cash equivalents as shown in balance sheet.		
	1996 £'000	1995 £'000
Short term deposits	832	932
Bank overdrafts	(30)	(70)
	802	862
d) Analysis of changes in cash and cash equivalents during the year.		
	1996 £'000	1995 £'000
At 1 April 1995	862	590
Net cash (outflow) / inflow	(60)	272
At 31 March 1996	802	862

ENGINEERING TRAINING AUTHORITY

NOTES TO THE ACCOUNTS - 31 MARCH 1996

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards and have been prepared under the historical cost convention as modified by the revaluation of properties. Compliance with SSAP 19 "Accounting for Investment Properties" requires departures from the requirements of the Companies Act 1985 relating to depreciation and amortisation.

Additional disclosures as required by the new Statement Of Recommended Practice "Accounting by Charities", including the Statement of Financial Activities are included as notes to the accounts.

Financial Statements

The financial statements consolidate the results of the Engineering Training Authority and its subsidiaries from 1 April 1995.

Turnover

Turnover represents the amount receivable for goods and services supplied to customers but excludes inter-company transactions and value added tax. The accounting method for recognising income has been modified during the year to reflect the introduction of a candidate registration system.

A proportion of candidate registration income is deferred and brought into account at the point of certification. This better matches the relevant costs of the registration process and the directors estimate that £185,000 of income has been invoiced and recognised in these accounts, which would not have been invoiced in prior years

Sale of properties

Sales of properties are recognised upon legal completion of the contract.

Tangible fixed assets

(a) Group occupied Properties

Freehold properties and properties on leases with twenty years and over to run at the balance sheet date, which are occupied by group companies for the purpose of trading, are revalued at least every five years and the resultant valuation is included in the balance sheet unless the surplus or deficit is immaterial.

(b) Depreciation

Depreciation is provided to write down the value of assets to their estimated residual value in equal annual instalments over the estimated lives of each class of asset, from the date on which the assets are brought into use. The annual useful lives are as follows:

	<u>Years</u>
Leasehold Property occupied by group companies	Life of Lease
Freehold Buildings occupied by group companies	40
Office Furniture	10
Plant	10
Machinery and Equipment	5
Motor Vehicles	4
Microcomputers	3

ENGINEERING TRAINING AUTHORITY

NOTES TO THE ACCOUNTS - 31 MARCH 1996 (continued)

ACCOUNTING POLICIES (continued)

Investment Properties

In accordance with SSAP 19, investment properties are revalued annually. The aggregate surplus or deficit is taken to the Statement of Total Recognised Gains and Losses, being a movement in the revaluation reserve, regardless of whether this results in a temporary deficit. If a deficit on an individual investment property is expected to be permanent, then it is charged in the profit and loss account of the period.

No provision is made for depreciation of freehold properties or for amortisation of leasehold properties held on leases having more than 20 years unexpired.

This departure from the requirements of the Companies Act 1985, which requires all properties to be depreciated, is, in the opinion of the directors, necessary for the accounts to show a true and fair view in accordance with applicable accounting standards.

Property costs

Refurbishment costs and repairs are written off in the year they are incurred. Where a leased property becomes vacant, and assignment without loss is unlikely, the future obligations relating to the lease, less the estimated future income stream, are provided for in full. Ongoing expenses are also taken into account.

Fixed asset investments

Listed investments are stated at market value as at 31 March 1996. This departure from the requirements of the Companies Act 1985, which requires all fixed assets to be stated at cost, is, in the opinion of the directors, necessary for the accounts to show a true and fair view in accordance with applicable accounting standards.

The aggregate unrealised surplus or deficit is transferred to a revaluation reserve.

The investment in subsidiaries is stated at the lower of cost and net asset value.

Stocks

Stocks are valued at the lower of production cost and net realisable value.

Grants

Grants in respect of capital expenditure are treated as deferred income which is credited to the profit and loss account by instalments over the expected useful economic life of the related assets on a basis consistent with the depreciation policy.

Leased Assets

Assets acquired under finance leases and the related liability of future rental obligations are included in the balance sheet. The interest element is charged against profit in proportion to the reducing capital element outstanding. The assets are depreciated over the shorter of the lease terms and their useful economic life.

Pensions

EnTra is a participating employer in the ITB Pension Funds, which are constituted as defined benefit schemes. Pension contributions are charged to the profit and loss account so as to spread the regular cost of pensions and related benefits over employees' working lives.

2 CONTINGENT LIABILITY

Following the transfer of assets from EITB, Engineering Construction Industry Training Board have security for present and future debts and liabilities relating to the Board's engineering manufacturing sector activities and the Board's land and buildings, by way of a charge of £2million over Link House, Watford.

ENGINEERING TRAINING AUTHORITY

NOTES TO THE ACCOUNTS - 31 MARCH 1996 (continued)

3 TURNOVER AND PROFITS

a) Analysis of turnover

The group has only one class of business. All group business is conducted in the United Kingdom.

b) Note of historical cost profits and losses	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
Reported loss on ordinary activities	(974)	(1,332)
Realisation of property revaluation gains of previous years	710	1,096
Permanent reductions in property values	256	803
Differences between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	52	42
Historical cost (loss)/profit on ordinary activities	<u>44</u>	<u>609</u>

4 OTHER OPERATING INCOME

	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
--	-----------------------------	-----------------------------

Net rental income	504	1,039
Other income	-	25
	<u>504</u>	<u>1,064</u>

5 STAFF COSTS

	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
Wages and salaries	2,993	3,344
Social security costs	242	278
Other pension costs	121	132
	<u>3,356</u>	<u>3,754</u>

The average number of persons employed during the year was as follows:

	<u>1996</u>	<u>1995</u>
Training services	127	149
Administration	21	25
	<u>148</u>	<u>174</u>

Chairman's Remuneration

The remuneration paid to the Chairman during the year was £30,949 (1995 £19,421).
No other Council member received any remuneration during the year in respect of their services to the company.
The total amount of expenditure reimbursed to Council members in respect of expenses incurred on the company's business was £12,000 (1995 £14,000).

ENGINEERING TRAINING AUTHORITY

NOTES TO THE ACCOUNTS - 31 MARCH 1996 (continued)

6 OPERATING LOSS

The operating loss is arrived at after charging/(crediting) the following::

	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
Hire of equipment	6	6
Auditors' remuneration	24	20
Profit on sale of fixed assets	(109)	(28)
Amortisation of deferred grant	(5)	(9)
Redundancy and closure provisions	945	420
Provisions for future losses on leasehold properties	464	-
Repayment of rates	(267)	-

The auditors also received £14,000 (1995 £21,000) in respect of non-audit services provided during the year.

7 PERMANENT DIMINUTION IN VALUE OF PROPERTY

	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
Permanent reductions in the values of certain individual properties have been charged to the profit and loss account as follows:		
Freehold	23	307
Long Leasehold	233	496
	<u>256</u>	<u>803</u>

8 INVESTMENT INCOME

	<u>1996</u> <u>£'000</u>	<u>1995</u> <u>£'000</u>
Income from fixed asset investments	2,023	1,377
Other interest receivable	16	17
	<u>2,039</u>	<u>1,394</u>

9 TAXATION

The company is a registered charity and therefore bears no tax on its income and gains.

ENGINEERING TRAINING AUTHORITY

NOTES TO THE ACCOUNTS - 31 MARCH 1996 (continued)

10 TANGIBLE FIXED ASSETS

	Land and Buildings £'000	Plant and machinery £'000	Office furniture & equipment £'000	Total £'000
GROUP				
Cost or valuation				
At 1 April 1995	3,285	1,068	359	4,712
Additions	-	148	250	398
Disposals	-	(353)	(136)	(489)
Reclassified (note 11)	(350)	-	-	(350)
At 31 March 1996	2,935	863	473	4,271
Depreciation				
At 1 April 1995	297	329	168	794
Charge for year	131	206	92	429
Disposals	-	(156)	(128)	(284)
At 31 March 1996	428	379	132	939
NET BOOK AMOUNT				
At 31 March 1996	2,507	484	341	3,332
At 31 March 1995	2,988	739	191	3,918
Comparable amounts under historical cost convention	1,948	484	341	2,773

Land and buildings, with a net book value of £350,000 have been reclassified as investment property. These properties, previously occupied by the group, have been vacated and are now on the property market.

One property included in land and buildings is subject to a charge of £2 million (see note 2).

Additions of tangible assets included acquisitions under finance leases totalling £58,000.

ENGINEERING TRAINING AUTHORITY

NOTES TO THE ACCOUNTS - 31 MARCH 1996 (continued)

10 TANGIBLE FIXED ASSETS

	Land and Buildings £'000	Plant and machinery £'000	Office furniture & equipment £'000	Total £'000
COMPANY				
Cost or valuation				
At 1 April 1995	546	1,068	359	1,973
Additions	-	110	103	213
Disposals	(546)	(726)	(229)	(1,501)
At 31 March 1996	-	452	233	685
Depreciation				
At 1 April 1995	203	329	168	700
Charge for the year	51	158	66	275
Disposals	(254)	(327)	(164)	(745)
At 31 March 1996	-	160	70	230
NET BOOK AMOUNT				
At 31 March 1996	-	292	163	455
At 31 March 1995	343	739	191	1,273

The net book amount of land and buildings comprises :

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Freehold	1,891	2,012	-	51
Long leasehold	616	976	-	292
	2,507	2,988	-	343

The cost and accumulated depreciation at 31 March 1996 includes fully depreciated assets at historical cost of £122,000 (1995 £66,000).

A freehold property, included in the accounts at a value of £1,761,000, is subject to an agreement whereby one-third of the sale proceeds relating to part of the site must be paid over to the Department for Education and Employment.

ENGINEERING TRAINING AUTHORITY

NOTES TO THE ACCOUNTS - 31 MARCH 1996 (continued)

11 INVESTMENT PROPERTIES

	Freehold £'000	Long Leasehold £'000	Total £'000
GROUP			
Valuation			
At 1 April 1995	7,718	1,568	9,286
Refurbishment	100	-	100
Reclassified (note 10)	-	350	350
Disposals	(1,448)	(909)	(2,357)
Permanent diminution in value	-	(256)	(256)
Revaluation	(517)	(51)	(568)
At 31 March 1996	<u>5,853</u>	<u>702</u>	<u>6,555</u>
Comparable amounts under historical cost convention	<u>7,906</u>	<u>460</u>	<u>8,366</u>
COMPANY			
Cost or valuation			
At 1 April 1995	3,113	-	3,113
Refurbishment	100	-	100
Revaluation	(425)	-	(425)
At 31 March 1996	<u>2,788</u>	<u>-</u>	<u>2,788</u>
Comparable amount under historic cost convention	<u>4,752</u>	<u>-</u>	<u>4,752</u>

Land and buildings were valued as at 31 March 1996 by Fletcher King, Chartered Surveyors at open market value. The deficit arising from the revaluation has been taken to the revaluation reserve in accordance with Statement of Standard Accounting Practice 19.

Deficits considered to be permanent have been written off through the profit and loss account.

ENGINEERING TRAINING AUTHORITY

NOTES TO THE ACCOUNTS - 31 MARCH 1996 (continued)

12 FIXED ASSET INVESTMENTS

Group and company

	£'000
At 1 April 1995	
Invested in year	22,666
Loan repayments	1,291
Unrealised surplus on the revaluation of investments	(56)
	2,350
At 31 March 1996	<u>26,251</u>

	<u>1996</u> £'000	<u>1995</u> £'000
Valuation:		
Investments	26,151	22,510
Loans	100	156
	<u>26,251</u>	<u>22,666</u>

The loans are secured against property occupied by the borrowers.

The investments are independently managed by BZW and traded within a portfolio which is being held for the long term. All investments are listed on the United Kingdom Stock Exchange.

13 INVESTMENT IN SUBSIDIARIES

	<u>1996</u> £'000	<u>1995</u> £'000
Company only		
Shares at cost	5,430	4,430
Long term loan	8,124	10,045
	<u>13,554</u>	<u>14,475</u>
Provision	(12,554)	(14,475)
	<u>1,000</u>	<u>-</u>
	£'000	
Balance 1st April 1995	-	
Investment in subsidiaries		
EnTra Publications Limited	650	
Cleveland Training Centre Limited	350	
Repayment of long term loan	(1,921)	
Release of provision against long term loan	1,921	
Balance 31 March 1996	<u>1,000</u>	

ENGINEERING TRAINING AUTHORITY

NOTES TO THE ACCOUNTS - 31 MARCH 1996 (continued)

13 INVESTMENT IN SUBSIDIARIES (continued)

The provision is to write down EnTra's investment in its subsidiary, Training Properties Limited.

The company owns 100% of the allotted ordinary share capital of the following subsidiaries :

Training Properties Limited.

A company registered in England and Wales which operates as property managers and investors within Great Britain.

EnTra Publications Limited.

A company registered in England and Wales which operates a publishing and printing operation within Great Britain.

EnTra Cleveland Training Centre Limited.

A company registered in England and Wales which provides training to its local engineering community.

14 STOCKS

This amount consists solely of stocks of resaleable publications.

15 DEBTORS

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Trade debtors	1,375	957	962	858
Amounts owed by subsidiary undertakings	-	-	207	-
Other debtors	324	87	53	87
Taxation recoverable on covenant	248	233	248	233
Prepayments and accrued income	178	170	107	138
	<u>2,125</u>	<u>1,447</u>	<u>1,577</u>	<u>1,316</u>

16 CURRENT ASSET INVESTMENTS

	1996 £'000	1995 £'000
Loans	57	53
Overnight and short term deposits	832	932
	<u>889</u>	<u>985</u>

These amounts are the same for the group and the company.

The loans are secured against property occupied by the borrowers.

ENGINEERING TRAINING AUTHORITY

NOTES TO THE ACCOUNTS - 31 MARCH 1996 (continued)

17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR.

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Bank loans and overdrafts	30	70	342	363
Trade creditors	279	526	199	526
Amounts owed to subsidiary undertakings	-	-	483	341
Taxation and social security	248	511	204	183
Other creditors	872	616	407	568
Obligations under Finance lease	19	-	19	-
Accruals	831	632	774	504
	<u>2,279</u>	<u>2,355</u>	<u>2,428</u>	<u>2,485</u>

CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR.

Deferred income	32	-	-	-
Obligations under Finance lease	37	-	37	-
	<u>69</u>	<u>-</u>	<u>37</u>	<u>-</u>

OBLIGATIONS UNDER FINANCE LEASES

	1996 £'000	1995 £'000
Falling due within one year	19	-
Falling due after more than one year but within 5 years	37	-
	<u>56</u>	<u>-</u>

Represented by :

Gross obligations under finance leases	63	-
Less : interest not yet incurred	(7)	-
	<u>56</u>	<u>-</u>

18 PROVISIONS FOR LIABILITIES AND CHARGES

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Deferred grant	108	113	-	113
Other provisions	1,199	1,199	1,032	1,040
	<u>1,307</u>	<u>1,312</u>	<u>1,032</u>	<u>1,153</u>

Other provisions are in respect of future costs anticipated on vacant leasehold property.

ENGINEERING TRAINING AUTHORITY

NOTES TO THE ACCOUNTS - 31 MARCH 1996 (continued)

19 RESERVES

Group	Profit & Loss account £'000	Revaluation reserve		Total £'000
		Investments £'000	Property £'000	
At 1 April 1995	(1,195)	(222)	(296)	(518)
Surplus / (deficit) on revaluation	-	2,350	(568)	1,782
Transfers	(569)	-	569	569
Loss for the year	(974)	-	-	-
At 31 March 1996	<u>(2,738)</u>	<u>2,128</u>	<u>(295)</u>	<u>1,833</u>
Company				
At 1 April 1995	(11,186)	(222)	775	553
Surplus/(deficit) on revaluation	-	2,350	(425)	1,925
Profit for the year	1,667	-	-	-
At 31 March 1996	<u>(9,519)</u>	<u>2,128</u>	<u>350</u>	<u>2,478</u>

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company, whose result is shown above, is not presented as part of these accounts. The parent company's profit for the year, after writing back £1,921,000 in respect of the investment in its subsidiary Training Properties Limited, amounted to £1,667,000 (1995 - Loss £221,000).

In addition, there is a capital reserve of £36,504,000 (1995 : £36,504,000) representing the net assets transferred to Engineering Training Authority on 23 July 1991 in accordance with a Direction from the Secretary of State for Employment.

20 CAPITAL COMMITMENTS

There was no material expenditure contracted but not provided for, nor any expenditure approved by Council members but not yet contracted.
The capital amount of finance leases since the year end totals £100,000.

21 PENSION COMMITMENTS

The company contributes to a defined benefit final salary scheme managed by the ITB Pension Funds, along with other former Industry Training Boards. The scheme's fund is financed by contributions from the company and from employees and is managed by legally appointed trustees.

The cost to the group for the year was £333,000 (1995: £495,000). Included in this cost was an amount of £212,000 relating to the early retirement of members of staff (1995: £363,000).

Contributions by the company were determined on the advice of the Government Actuary using the prospective benefits method. The most recent valuation was at 31 March 1995. The major assumption used in the valuation was that investment returns would exceed earnings increases by 1 1/2 % per annum.

The valuation showed the market value of the schemes assets was £312 million. The actuarial value of these assets represented 110% of the benefits which had accrued to members.

The contributions payable by the company have been fixed at 5% of pensionable pay until 31 March 1999

22 POST BALANCE SHEET EVENTS

The Group is in discussion with Marine & Engineering Training Association with a view to merging the activities of the two organisations from 1 October 1996.

ENGINEERING TRAINING AUTHORITY

NOTES TO THE ACCOUNTS - 31 MARCH 1996 (continued)

23 a) Consolidated Statement of Financial Activities for the year ended 31 March 1996

	£'000
INCOMING RESOURCES	
Investment income	1,601
Grants receivable	183
Gain on sale of tangible fixed assets	109
Net income from trading activities	30
Total incoming resources	1,923
RESOURCES EXPENDED	
Property costs	282
Training initiatives and representation	1,520
Management and administration	381
Redundancy and closure costs	944
Total resources expended	3,127
Net outgoing resources	(1,204)
Gains/(losses) on investments	
Realised	230
Unrealised	1,782
Net movement in funds	808
Brought Forward at 1.4.95	34,791
Carried Forward at 31.3.96	35,599

ENGINEERING TRAINING AUTHORITY

NOTES TO THE ACCOUNTS - 31 MARCH 1996 (continued)

23 b) Net income from trading activities

The Charity has three wholly-owned trading subsidiaries which are incorporated in the UK. EnTra Cleveland Training Centre Limited operates a direct training centre and EnTra Publications Limited processes and markets training and other publications. Training Properties Limited manages the Charity's portfolio of investment properties. All the companies covenant their taxable profits to the Engineering Training Authority. A summary of their trading results is shown below. Audited accounts have been filed with the Registrar of Companies.

	Entra Cleveland Training Centre Ltd £'000	EnTra Publications Limited £'000	Training Properties Limited £'000	Total £'000
Turnover	1,069	941	504	2,514
Change in stocks of finished goods	-	(54)	-	(54)
Other operating income	-	-	48	48
	1,069	887	552	2,508
Materials and external charges	160	202	280	642
Staff costs	476	398	-	874
Depreciation	34	40	66	140
Other operating charges	294	122	51	467
	964	762	397	2,123
Operating profit	105	125	155	385
Interest (to) / from parent company	4	2	(668)	(662)
Other items	-	-	(256)	(256)
Net profit/(loss)	109	127	(769)	(533)
Covenanted to EnTra	(113)	(202)	(168)	(483)
	(4)	(75)	(937)	(1,016)

Other trading activities showed a loss of £200,000, mainly due to the closure of Sheffield Training Centre.

ENGINEERING TRAINING AUTHORITY

NOTES TO THE ACCOUNTS - 31 MARCH 1996 (continued)

23 c) Analysis of total resources expended

	Staff £'000	Other £'000	Depreciation £'000	Total £'000
Property	-	216	66	282
Training initiatives & representation	623	727	170	1,520
Management and administration	197	147	37	381
Redundancy and closure costs	-	944	-	944
	820	2,034	273	3,127

d) Utilisation of resources

The net book value at 31 March 1996 represents Tangible Fixed Assets used for :

	Land & Buildings £'000	Plant & Machinery £'000	Fixtures & Fittings £'000	Total £'000
Training initiatives & representation	587	50	20	657
Management and administration	294	19	94	407
	881	69	114	1,064

e) Emoluments of employees

The number of employees whose emoluments for the year fell within each band of £10,000 were as follows :

40,000 - 50,000	2
50,001 - 60,000	1
60,001 - 70,000	2