

Company No. 02557730



HOSPITALITY TRAINING FOUNDATION

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2003



**ANNUAL REPORT AND ACCOUNTS
31 MARCH 2003**

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FINANCIAL STATEMENTS 2003

LEGAL AND ADMINISTRATIVE DETAILS

MEMBERS

The following are the Nominating Bodies and subscribers to the Memorandum of Association:

British Beer & Pub Association (BBPA)	
British Hospitality Association (BHA)	
Restaurant Association (RA)	(until 1 January 2004)
Association of British Travel Agents (ABTA)	(with effect from 23 December 2002)

BOARD OF TRUSTEES

The following have served as trustees during the year and up to the date these accounts were signed:

Name	Appointed by	
Michael da Costa	RA	(resigned 1 January 2004)
Michael da Costa	BHA	(appointed 29 January 2004)
Peter Catesby	BHA	(resigned 23 May 2003)
Colin Heal OBE	ABTA	(appointed 17 September 2003)
Grant Hearn	BHA	(resigned 22 January 2003)
Stephen Moss CBE	RA	(resigned 1 January 2004)
Stephen Moss CBE	BHA	(appointed 29 January 2004)
Jonathan Orr Ewing	BHA	(resigned 2 April 2003)
Christopher Ripper	BBPA	(resigned 28 October 2003)
Martin Wellings	ABTA	(appointed 6 February 2003)

APPOINTMENT OF TRUSTEES

The trade associations listed above, as members, may appoint two members to the Board of Trustees, with the exception of BHA, who may appoint three members to the Board. In anticipation of HtF being awarded SSC accreditation in early 2004, certain trade associations have not replaced trustees who have resigned.

INVESTMENTS

The Foundation's investments are held in charities funds managed by Deutsche Asset Management, One Appold Street, London, EC2A 2UT, and, Dresdner RCM Global Investors (UK) Ltd., PO Box 191, 10 Fenchurch Street, London, EC3M 3LB. During the financial year the company disposed of its investments.

REGISTERED OFFICE

International House
High Street
Ealing
London W5 5DB

AUDITORS

haysmacintyre
Fairfax House
15 Fulwood Place
London WC1Y 6AY

BANKERS

Barclays Bank Plc
Park Royal Business Centre
36-38 Park Royal Road
London NW10 7JA

SOLICITORS

Howard Kennedy
19 Cavendish
Square
London W1A 2AW

FINANCIAL STATEMENTS 2003 LEGAL AND ADMINISTRATIVE DETAILS

EXECUTIVE TEAM

John Brackenbury CBE
Simon Turl

Executive Chairman
Group Chief Executive Officer (appointed 3 November 2003)

Richard Finan
Danuta Muir
David Stanton
Declan Swan

Award Making and Training director
Human Resources director
Finance and Technical director
Director of the aspirant Hospitality, Leisure, Travel and Tourism Sector Skills Council.

CONSTITUTION

Hospitality Training Foundation (HtF) is a registered charity and a company limited by guarantee registered in England. It is governed by its memorandum and articles of association.

CHARITY REGISTRATION NUMBER 1001041

COMPANY REGISTRATION NUMBER 02557730

TRUSTEES' REPORT

The trustees present their annual report and the audited financial statements for the year ended 31 March 2003. The financial statements comply with all statutory requirements and the requirements of the charity's governing document.

OBJECTS AND PRINCIPAL ACTIVITIES

The objects of the charity, as stated in its memorandum of association, are to promote and advance for the public benefit the education and training of persons employed or intending to be employed in the hospitality, leisure, travel and tourism industries, as well as to undertake and promote useful research into any matters relating to training for employment in the Sector and to publish and disseminate any useful results from such research. In furtherance of these objects, HtF also develops and sets standards for training, validates, lists and monitors the standards, issues certificates and carries out 'open' and 'in-company' training courses.

ORGANISATIONAL STRUCTURE

The trustees determine the general policy and strategy of the charity. The day-to-day management of the charity is delegated to the executive team under the executive chairmanship of John Brackenbury together with the Group Chief Executive Officer, Simon Turl, who was appointed in November 2003.

HtF operates through two divisions. For the year under review these were the aspirant Sector Skills Council (SSC), formerly the National Training Organisation, and the Award Making & Training Division Division. (Operating as the Hospitality Awarding Body and Stonebow).

On being awarded a Sector Skills Council licence it is intended that the current company, HtF, continues operating and becomes the SSC. It is intended that the operating name of the organisation, and the company name, are changed to a name more appropriate to that of a Sector Skills Council. The management structure will be strengthened to ensure that the SSC will achieve its objectives.

REVIEW OF THE YEAR

ASPIRANT SSC (formerly the NTO)

HtF promotes the education and training interests of 1.6 million people who work in the UK hospitality, leisure, travel and tourism sector, covering all industries and occupations across England, Scotland, Wales and Northern Ireland. We are entirely employer-led and have established a strong consultation structure, led by a senior council of employers. In addition, to ensure regional input, we have panels of employers in Scotland, England, Wales and Northern Ireland to provide effective two-way communication across all countries of the UK.

Our mission is to improve the productivity and performance of the Sector by developing better people with better skills through the right training, education and qualifications.

In December 2002, HtF acquired the business of Ttento, the former National Training Organisation for Travel, Tourism Services and Events. (refer also to note 15 to the accounts) This allowed HtF to broaden its core 'footprint' to include industries that spanned activities from retail travel and tour guiding, to exhibition organisers. HtF could then position itself favourably to meet a key criterion of becoming a Sector Skills Council, it should 'represent a sector of strategic importance to the UK economy'.

The process of achieving SSC status continues and HtF is confident that following the submission of its business plan to the Sector Skills Development Agency (SSDA) a licence will be granted early in 2004.

TRUSTEES' REPORT

With the government's disbandment of NTOs and the emergence of the SSDA, funding from the traditional source of the DfES has discontinued and will be replaced by project and core funding from the SSDA. However, HtF was successful in securing a final suite of projects funded by DfES and other agencies.

DfES FUNDED PROJECTS

Labour Market Review 2003

HtF continued its range of investigations in the hospitality labour market. The Labour Market Review 2003 provided employers, learning providers and many others with key employment, establishment, recruitment and other data. It was mailed to a wide range of leading employers, government agencies and other key bodies.

Promoting hospitality qualifications

Awareness of qualifications and training is low across the hospitality industry. HtF therefore compiled a handbook detailing all national qualifications for operative, craft and supervisory occupations, together with details of where employers could obtain further information. Around 100,000 copies of the brochures were distributed directly to employers via key trade journals, such as the *Caterer and Hotel Keeper*, as well as through trade associations, national learning providers and colleges.

Review of national qualifications for chefs

HtF identified a lack of skilled chefs in the fine dining restaurant sector as new entrants from the education system do not have the skills that employers need. If a remedy is not found, one of the UK's key tourism products, fine dining restaurants, will slowly erode.

HtF has therefore carried out research with employers and colleges to identify the issues that prevent the successful training of future chefs. The outcomes of this work focussed on 'traditional' issues such as funding of further education and the links between industry and education. HtF will continue this work, investigating these delivery issues in more detail.

NON-DfES FUNDED PROJECTS

Work placement Guidelines

In partnership with Springboard UK and funded by Savoy Educational Trust, HtF developed a framework for employers to ensure that work placements in industry were of the highest quality. HtF established and facilitated a steering group that included representation from industry, trade associations and Further and Higher Education establishments. The outcomes, based upon specific guidance and checklists for employers, colleges and schools, and most importantly, the person on the placement, were launched by Springboard at their main careers event in 2003.

Food Education in Schools

The aim of this initiative, which was funded by Savoy Educational Trust, was to develop and agree with key partners an exciting strategy to take forward a Food in Schools lobbying campaign to get food education included as a mandatory element within the National Curriculum at Key Stage 3.

The premise was that the position of current food education is affecting the health of the nation and that this has a cost implication upon the economy and productivity of the nation.

Phase 1 of the initiative was project managed in Scotland and involved initial research into the position of food education, and setting up and facilitating the Food Education Initiative Steering Committee to represent the various interests within food education.

The final report emphasised that food education is required in order to maintain consistency in pupils' nutritional education, but also to equip them with the skills to be aware consumers and citizens. It was also closely linked to improving the health of the population.

Evaluation of Hospitality Education in Scotland

Hospitality is the key driver within Scottish tourism, representing around 78% of tourism jobs. The aim of this project, funded by the Scottish Executive, was to research the match between training provision and the hospitality industry's needs.

TRUSTEES' REPORT

The report submitted to the Scottish Executive, has now been widely circulated and has been used by a number of key committees as an indicator of what is happening within private provision.

Business uses of Labour Market Intelligence

Labour market intelligence (LMI) is crucial to the longer term planning that needs to be undertaken to prepare for change within the marketplace.

The aim of the project, commissioned by Scottish Enterprise, was to look at what labour market information existed for Scottish Tourism, and how that information was being used. HtF successfully mapped out the relevant LMI information available in Scotland and interviewed key industry employers. This identified key employer priorities and the uses they made of the collected information. A report including recommendations on future priorities for information and its dissemination was prepared and submitted to Scottish Enterprise.

As a result of this project, an excellent working relationship has developed between HtF and Future Skills Scotland, with HtF promoting use of LMI in industry as a part of the business development process.

Food Safety Partnerships at work

Funded by the DTI, HtF worked in partnership with the Restaurant Association to produce employer-designed learning materials to help deliver food safety training to both front and back of house staff in restaurants. The project aimed to help build partnerships at work between restaurant service and kitchen staff.

Occupational mapping for the hospitality industry

This QCA funded mapping exercise involved identifying the occupations in an industry and gaining agreement from employers as to the key job activities and functions attributed to each occupation. With hospitality being such a dynamic area, it was clear that even over the last two years job roles have changed significantly.

HtF therefore needed to update its occupational maps and industry knowledge in advance of a full review of occupational standards and national

qualifications, intended for 2004-05. The mapping exercise began in autumn 2002 and concluded in Spring 2003.

Evaluating the success of the New Deal Gateway

HtF had previously developed a Gateway Programme for entrants to the New Deal. The project had been well received by Job Centre Plus staff and candidates as well as employers who had helped in its development.

This exercise, funded by Job Centre Plus, provided an evaluation of the project after its initial bedding in and operating period, providing Job Centre Plus with key information on its introduction and implementation plus recommendations for future improvements.

Hospitality Network

The HtF funded Hospitality Network continued as the main forum for employers and learning providers across the industry. The Network Newsflash proved a popular channel for all Network members to communicate ideas, share best practice and keep updated on the latest developments in government policy and HtF's on-going programme of work.

Certification, Registration and Publication Service

HtF continued to provide a Modern Apprenticeship certification service and, in Scotland, a registration service for new entrants to the programme. HtF also continued to process publication orders, ensuring an on-going supply of labour market intelligence and other keynote reports to employers, learning providers and others.

THE YEAR AHEAD

Aims and Objectives for 2003/2004

The key aim before the end of the financial year ending 31 March 2004 is to secure the SSC licence. On securing a licence, HtF will begin to implement the SSC five-year strategic plan. This will involve a significant increase in staffing, particularly in the field of marketing, sales and research, and in the regions to strengthen the organisation's capacity to deliver its agenda.

TRUSTEES' REPORT

Programme of work 2003/2004

The key areas of work for the forthcoming year will be as follows:

- Complete all necessary work to secure the SSC licence for the hospitality, leisure, travel and tourism sector.
- Secure support for the SSC from employers.
- Secure funding from the Sector Skills Development Agency to run the following projects:
 - Strategic business planning for SMEs in the travel sector
 - Employer engagement and partnership strategy.
- Secure funding to undertake the following projects:
 - Revised Skillseekers programme for hospitality
 - QuEST- Qualifications and Education in Scottish Tourism
 - Review of Occupational Standards.

THE AWARD MAKING AND TRAINING DIVISION

Introduction

The division consists of two well-recognised and highly regarded brands, namely the Hospitality Awarding Body (HAB) and Stonebow, the training and development provider.

The main objective for the division is to deliver quality qualifications and training to the hospitality industry. Resultant surpluses contribute to the funding of the operations and projects of the Aspirant SSC.

As a result of restructures within the division, significant savings in overhead costs have been made over the previous financial year. This result has been delivered whilst increasing the income of the division by £215,000 over the year ended 31 March 2002. The improvement in performance has enabled the division to significantly improve its overall contribution to HtF.

HOSPITALITY AWARDING BODY (HAB)

Review of last year

HAB provides a successful and acknowledged awarding body service for National Vocational Qualifications (NVQs) and Scottish Vocational Qualifications (SVQs). The Awarding Body increased its income to £1,853,000, (2002 £1,575,000), a year on year increase of 17.6%.

HAB is amongst the largest industry-specific awarding bodies in the UK and offers a full range of NVQs including:

- Food preparation and cooking
- Food service
- Bar and cellar
- Front office
- Craft Baking
- Cleaning
- Key and Core skills
- Customer service
- On Licensed premises qualifications for managers and supervisors.

During the year under review, HAB continued to enjoy close links with training providers and employers through a series of regular forums. A result of these meetings is that the introduction of a number of new ground breaking Vocationally Related Qualifications (VRQs) are at an advanced stage and will add value to the industry and broaden the range of qualifications which HAB offers.

The development of these new qualifications has involved the innovative use of technology to ensure easy access of materials and booking of candidates, through to the processing of assessment papers and issuing results. This demonstrates HAB's continuing policy of exploiting the use of technology to best suit the needs of both HAB and its customers.

The Year Ahead

In addition to its work with NVQs, SVQs and Key Skills, HAB will launch a number of new and innovative demand lead qualifications for industry.

In the first instance, plans are well advanced for the introduction of VRQs, which will add to

TRUSTEES' REPORT

the variety and number of qualifications that it delivers. These are in the areas of:

- Customer Service
- Sales
- Conflict Handling

These new funded one-day qualifications will meet our industries' requirements for short, sharp, focused awards that deliver real results in three key performance areas. They present outstanding opportunities for those people who possess few qualifications to develop their skills and initiative in the progression to further development.

HAB will continue to consult with key stakeholders (employers, training providers and government bodies) through its regular forums and meetings to ensure that it is well placed to design and deliver awards which industry needs.

It will continue to seek new ways of delivery of qualifications through the innovative use of IT.

STONEBOW

Review of last year

Stonebow is an education and training body and has a long history of developing and delivering recognised quality training and development programmes to the hospitality, tourism and leisure sector. In direct furtherance of HtF's objects, it is an important source of income to the charity.

Stonebow's key strengths are in management development, trainer training and skills development areas.

After several years of under performance, a restructure of the business was successfully completed. This was achieved by downsizing the team of 12 to 2 employees enabling Stonebow to maintain its income at a significantly improved contribution (before shared services costs) over the previous financial year. The New 'Group Training Certificate' (GTC) and 'Practical Trainer Certificate' (PTC) courses have ensured that Stonebow's market leading products have continued to set the standard for the industry.

The Year Ahead

Stonebow will continue to build on the progress made last year. As well as continuing to reap the rewards of its industry standard GTC and PTC, it will seek to further develop strong contacts within the industry. In particular an increased emphasis on designing bespoke 'in company' programmes will create new opportunities to develop new income streams. This will ensure it is well placed to continue to meet the disparate needs of its target audience and enhance its growing reputation for delivering training solutions which best match the needs of the customer.

HUMAN RESOURCES

Further to HtF's acquisition of the business of Ttento in December 2002, Ttento's employees were successfully integrated into the HtF team. (refer also to note 15 to the accounts)

With the continuing changes in employment legislation and the introduction of new legislation and regulations, to ensure clarity and transparency, HtF introduced a new style employee contract and handbook in 2003.

QUALITY COMPLIANCE

ISO-9001:2000

HtF continues to demonstrate its commitment to quality in all areas of its operations and has successfully achieved accreditation against the new ISO standard ISO9001:2000, maintaining the award for a further period.

Investors in People

An Investors in People re-assessment was successfully completed during February 2003, demonstrating the importance HtF places on its employees.

Goodcorporation Charter

HtF achieved its Goodcorporation re-verification with commendations for its disciplinary procedures and records, its risk assessment planning and comprehensive financial information, which is used for key decision making

TRUSTEES' REPORT

SUMMARY OF RESULTS FOR THE YEAR AND OUTLOOK FOR 2003/2004

The statement of financial activities shows a net outgoing movement in resources for the financial year of £380,000 compared to an equivalent figure last year of £1,069,000. Total income reduced by 1% against the previous year, with the reduction in Stonebow income of £63,000 being more than matched by an increase in Awarding Body income of £278,000.

The Aspirant SSC earned income of £573,000, having reduced from £930,000 in the previous financial year. The fall in income stems from the government's withdrawal of the NTO framework and associated funding, combined with the demands of preparing the SSC business plan for submission to the SSDA.

Investment losses in the year amounted to £392,000 (2002 - £145,000) reflecting the fall in the FTSE All Share index of 22%.

The total return from equities has generally outperformed fixed interest investments over the long term. The trustees' stance had been to remain invested in equities, despite occasions when the markets moved in favour of fixed interest stocks, however, as a result of continued falls and uncertainty in the equity market, the trustees resolved in December 2002 to dispose of all investments and to invest the proceeds in a bank deposit account, thereby eliminating further financial risk to investment values. When equity market stability returns the trustees will reconsider their investment strategy.

As reported in last year's Annual Report, the trustees are pleased to report that in December 2002, the company acquired the business of Ttento, the former Travel, Tourism and Events National Training Organisation (refer also to note 15 to the accounts). This enables HtF to widen the Sector it works with, in pursuance of its goal to become a Sector Skills Council.

TRUSTEES

Jonathan Orr Ewing and Grant Hearn resigned from the Board of Trustees during the year under review, and more recently Peter Catesby and

Chris Ripper resigned as Trustees. Their contribution to the work of HtF is appreciated.

RISK MANAGEMENT

The major risks to which the charity is exposed, as identified by the trustees, have been reviewed and systems have been established to mitigate those risks.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

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 company as at the end of the financial year and of the incoming resources and application of resources 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;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The trustees 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 and other irregularities.

RELATED PARTIES

Stephen Moss and John Brackenbury are directors of Springboard Charitable Trust and Stephen Moss is a director of Springboard UK Limited. Certain contracts have been awarded to HtF by Springboard Charitable Trust and Springboard UK Limited in respect of

TRUSTEES' REPORT

accounting services until June 2001 when the contract ended.

John Brackenbury was a non-executive director, until 31 October 2002, of the Hotel and Catering Training Company Limited (HCTC), which receives awarding body services from HAB. John Brackenbury is also a member of the Advisory Board of Goodcorporation, and as stated on page 7 HtF has achieved the Goodcorporation Charter.

Grant Hearn and Christopher Ripper were directors of Hilton UK Hotels Ltd., and Scottish & Newcastle Retail Ltd., respectively, companies that training services are supplied to by Stonebow.

EQUAL OPPORTUNITIES

HtF is an equal opportunities employer and will ensure that no job applicant or employee receives less favourable treatment on grounds of sex, marital status, sexual orientation, disability, age, race, religion, colour, ethnic or national origin, or convictions which have been spent under the Rehabilitation of Offenders Act.

Selection criteria and procedures are regularly reviewed to ensure that individuals are selected, inducted, developed, promoted, communicated with and treated on their relevant merits and abilities.

HEALTH AND SAFETY AT WORK

It is the policy of the company that its operations are executed at all times in such a way as to ensure, as far as is reasonable, safe and healthy working conditions, equipment and systems of work for all employees and visitors to HtF's premises. As part of HtF's health and safety initiatives, it introduced a Health and Safety Handbook for office-based employees and one specifically for home-based employees. It also implemented an annual risk assessment programme.

INVESTMENT POWERS AND POLICY

The trustees are empowered to invest any monies authorised by law for the investment of

trust monies as they see fit. The trustees have adopted a prudent approach and all investments have been held in Charities Funds that have performed in line with the benchmark indices.

The trustees considered the risk to the value of the investments in view of the continuing fall of the FTSE all share index. They resolved to dispose of all investments in view of the forecasted requirement for cash resources taken together with the fall in the FTSE all share index.

RESERVES POLICY

As at 31 March 2003, the total funds of the charity were £873,000 of which £170,000 related to tangible fixed assets. Currently, therefore, the charity has free reserves of £703,000. The trustees currently wish to invest in the work and influence of HtF, and to secure the long-term future of the company by pursuing a strategy to become a Sector Skills Council, the successor accredited body to NTOs.

This policy is likely to reduce the current level of reserves in the short term and it is not the intention to reduce the reserves significantly below £500,000. In the long term, reserves should be improved and maintained to provide investment income and gains that can be applied to further the aims of the company. The reserves policy of the charity will be reviewed on an annual basis by the trustees.

AUDITORS

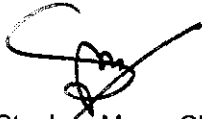
A resolution proposing the re-appointment of haysmacintyre as auditors to the company will be put to the annual general meeting.

EMPLOYEES

The trustees are grateful for the continuing support of the management and employees of HtF and for their enthusiasm and commitment to the improvement of learning and training in the Sector. This has been promoted through their professionalism and leadership and with the help and support of like-minded people in business, learning providers and government departments.

TRUSTEES' REPORT

Approved by the Board of Trustees on
30 January 2004, and signed on their behalf.

A handwritten signature in black ink, appearing to be 'S Moss', with a large, sweeping flourish extending upwards and to the right.

Stephen Moss, CBE
Trustee

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HOSPITALITY TRAINING FOUNDATION

We have audited the financial statements of the Hospitality Training Foundation for the year ended 31 March 2003, which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charitable 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The trustees' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Trustees' Responsibilities. The Trustees are also the directors of the Hospitality Training Foundation for the purposes of company law.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Trustees' Report is not consistent with the financial statements, if the charitable 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 charitable company is not disclosed.

We read the other information contained in the Trustees' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or apparent material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HOSPITALITY TRAINING FOUNDATION

Fundamental uncertainty: going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the uncertainty surrounding the application for Sector Skills Council (SSC) status and the forecast, substantial SSC income, and the substantial income projected to be received from its other activities. If the application is unsuccessful, the trustees have formed the view that HtF will not be able to continue to trade in its present form and will either be wound up or radically restructured in the short term. In view of the significance of these uncertainties we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the charity's affairs as at 31 March 2003 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

haysmacintyre
Chartered Accountants
Registered Auditors

Fairfax House
15 Fulwood Place
London
WC1V 6AY

Date: 30 January 2004

STATEMENT OF FINANCIAL ACTIVITIES
For the year ended 31 March 2003

	Note	Total Funds 2003 £'000	Total Funds 2002 £'000
INCOME AND EXPENDITURE			
INCOMING RESOURCES			
Donations		20	10
Incoming resources from operating activities	2	2,933	3,075
Incoming resources from activities for generating funds	2	306	274
Investment income	3	48	66
TOTAL INCOME RESOURCES		3,307	3,425
RESOURCES EXPENDED			
Costs of generating funds	4	(63)	(87)
Charitable expenditure			
Costs of activities in furtherance of the charity's objects	4	(2,657)	(3,175)
Support costs	4	(876)	(1,188)
Management and Administration	4	(91)	(44)
TOTAL RESOURCES EXPENDED		(3,687)	(4,494)
NET OUTGOING RESOURCES IN YEAR	5	(380)	(1,069)
OTHER RECOGNISED GAINS AND LOSSES			
Losses on investments held for charitable use:			
Realised losses	7	(392)	(68)
Net movement in funds before unrealised losses		(772)	(1,137)
Unrealised losses	7	-	(77)
NET MOVEMENT IN FUNDS		(772)	(1,214)
TOTAL FUNDS brought forward at 1 April		1,645	2,859
TOTAL FUNDS carried forward at 31 March		873	1,645

All incoming resources give rise to unrestricted funds.

All activities relate to continuing activities.

There is no difference between the Net (Outgoing)/Incoming Resources on ordinary activities for the year stated above and its historical cost is equivalent.

BALANCE SHEET
For the year ended 31 March 2003

	Note	2003 £'000	2002 £'000
FIXED ASSETS			
Tangible assets	6	170	232
Investments	7	-	1,706
		<u>170</u>	<u>1,938</u>
CURRENT ASSETS			
Stocks		56	48
Debtors	8	559	577
Cash at bank and in hand		922	329
		<u>1,537</u>	<u>954</u>
CREDITORS: amounts falling due within one year	9	(692)	(1,026)
NET CURRENT ASSETS		<u>845</u>	<u>(72)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,015</u>	<u>1,866</u>
CREDITORS: amounts falling due after one year	9	-	(31)
PROVISIONS FOR LIABILITIES AND CHARGES	10	(142)	(190)
		<u>873</u>	<u>1,645</u>
FUNDS			
Revaluation reserve		-	(338)
Unrestricted funds		873	1,983
TOTAL FUNDS	12	<u>873</u>	<u>1,645</u>

These financial statements were approved by the Trustees on 30 January 2004, and signed on their behalf.


 Stephen Moss, CBE
 Trustee

CASH FLOW STATEMENT
For the year ended 31 March 2003

	Note	2003 £'000	2002 £'000
Net cash (outflow) from operating activities	1	(717)	(1,099)
Returns on investment and servicing of finance	2	40	63
Net cash (outflow) from capital transactions	3	(44)	(24)
Cash (outflow) before management of liquid resources and financing		(721)	(1,060)
Management of liquid resources	4	1,314	1,278
Increase in cash		593	218

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2003 £'000	2002 £'000
Increase in cash	593	218
Cash flow from (increase) in liquid resources	(1,314)	(1,278)
Change in net funds arising from cash flows	(721)	(1,060)
Other non-cash movements	(392)	(145)
Movement in net funds in year	(1,113)	(1,205)
Net opening funds	2,035	3,240
Net closing funds	922	2,035

ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 2002 £'000	Cashflow £'000	Other non- Cash Movements £'000	At 31 March 2003 £'000
Cash at bank and in hand	329	593	-	922
Investments - current assets	-	-	-	-
Investments - fixed assets	1,706	(1,314)	(392)	-
Net funds	2,035	(721)	(392)	922

NOTES TO THE CASH FLOW STATEMENT

For the year ended 31 March 2003

1. RECONCILIATION OF NET INCOMING RESOURCES TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2003 £'000	2002 £'000
Net outgoing resources	(772)	(1,214)
Unrealised loss on investments	-	77
Investment income	(38)	(61)
Interest receivable	(5)	(5)
Interest payable	3	3
Depreciation	106	100
Loss on Sale of investments	392	68
(Increase)/Decrease in stocks	(8)	7
(Increase)/Decrease in debtors	18	(32)
Increase/(Decrease) in creditors	(334)	51
Decrease in long term creditors	(31)	(93)
Decrease in provisions and liabilities	(48)	-
Net cash (outflow) from operating activities	<u>(717)</u>	<u>(1,099)</u>

2. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2003 £'000	2002 £'000
Investment income	38	61
Interest received	5	5
Interest paid	(3)	(3)
	<u>40</u>	<u>63</u>

3. CAPITAL EXPENDITURE

	2003 £'000	2002 £'000
Receipts from sale of HCTC division	-	75
Payments to acquire tangible fixed assets	(44)	(99)
	<u>(44)</u>	<u>(24)</u>

4. MANAGEMENT OF LIQUID RESOURCES

	2003 £'000	2002 £'000
Cash withdrawn from short term investments	-	412
Receipts from sales of investments	1,314	866
	<u>1,314</u>	<u>1,278</u>

Reserves of unit trusts classified as fixed asset investments in the balance sheet have been classified in the cash flow as liquid assets as the entity has used the investments in order to meet short term funding needs.

Non cash movements relate to realised losses on sale of investments totalling £392,300 for the year ended 31 March 2003 (2002 £68,200)

NOTES TO THE ACCOUNTS

For the year ended 31 March 2003

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared in accordance with the Statement of Recommended Practice, Accounting and Reporting by Charities (SORP 2000) issued in October 2000, applicable accounting standards and the Companies Act 1985.

The financial statements are prepared under the historical cost convention as modified by the revaluation of investments held as fixed assets.

Basis of Preparation: Going Concern

Hospitality Training Foundation is working with employers from the Hospitality, Leisure, Travel and Tourism sector to secure Sector Skills Council (SSC) status. SSCs replace National Training Organisations, which were discontinued at the end of March 2002.

To date, employers, working through HtF, have had their Expression of Interest accepted by the Sector Skills Development Agency (SSDA) and have recently prepared and submitted a revised business proposal for SSC status to the SSDA; the SSDA identified a number of issues with the original submission and requested a revised version in order for HtF to proceed to a meeting with the Licence Assessment Panel. The SSDA is scheduled to complete their review of this document in February 2004, which will include a due diligence review on the proposal and five-year forecasts. If approved a five-year SSC licence will be issued. If SSC status is obtained, it will represent a significant proportion of the HtF's activities for the year ending 31 March 2005; the five-year forecast assumes £4million SSDA funding and £13million SSC income from activities relating to having obtained SSC status. Whilst the Trustees are confident of success, there is, however, uncertainty surrounding the approval of the SSC status as well as the level and timing of the £13million SSC income. There is also uncertainty surrounding the income of £16million projected to be received over the next five years from HtF's other activities, some of which are new.

If approval is obtained an SSC licence will be issued to HtF by the end of March 2004.

If the application is not successful, the Trustees have formed the view that HtF will not be able to continue to trade in its present form and may be wound up or radically restructured in the short term, being less than one year. As at 30 November 2003, HtF's total funds, as shown in the unaudited management accounts, have reduced to £635,000 (31 March 2003 £873,000), with the loss for the eight month period to 30 November 2003 being £238,000. The loss for the year ended 31 March 2003 was £772,000, which includes investment losses of £392,000; all investments were realised in the year to 31 March 2003.

The Trustees consider that in preparing the financial statements they have taken into account all information that could reasonably be expected to be available. On this basis, they consider that it is appropriate to prepare the financial statements on the going concern basis. This assumes that the application for SSC status is successful and that the forecast SSC income is received, and that the substantial income projected from its other activities is received.

The financial statements do not include any adjustments that would result if the application for SSC status were not successful and hence HtF wound up or radically restructured in the short term, or if the forecast SSC income was not received. In addition the financial statements do not include any adjustments that would result if the substantial income projected to be received from HtF's other activities was not achieved.

NOTES TO THE ACCOUNTS

For the year ended 31 March 2003

1. Accounting policies cont.

Tangible fixed assets

The cost of tangible fixed assets is written off over the estimated life of the asset on a straight-line basis. The depreciation rates used are as follows:

Leasehold improvements	period of lease
Furniture and office equipment	10-25% per annum

Investments

Investments held as fixed assets are stated at market value. Unrealised surpluses on revaluation are included in the unrestricted funds balance recognised in the Statement of Financial Activities. Realised surpluses and deficits are included in the Statement of Financial Activities as they arise.

Unrestricted funds

These are funds which can be used in accordance with the charitable objects at the discretion of the trustees.

Stocks

Stocks, which comprise course and other training materials, are stated at the lower of cost and realisable value. No overhead expenditure is included.

Income

Income includes amounts receivable for services provided by the Hospitality Awarding Body, training services rendered by Stonebow, and for donations received and research and projects undertaken in the year by the aspirant SSC. Income also includes rents receivable in respect of the Ealing property, and income from investments and bank deposits.

Resources expended

Resources expended are accounted for on an accruals basis. Certain expenditure is directly attributable to specific activities and has been included in those cost categories. Central costs which cannot be directly allocated are apportioned across the cost categories on the basis of an estimate of the proportion of time spent by the staff on those activities.

Pensions

The company is a participating employer in the ITB Pension Funds and the basis of arriving at the pension cost is described in Note 16.

The ITB Pension Funds is a multi-employer defined benefits pension scheme. For the purpose of complying with the relevant accounting standards, the ITB Pension Fund is accounted for as a defined contribution scheme, since it is not possible to identify the assets and liabilities for each employer participating in the scheme. The amounts included in the statements of financial activities, balance sheet and cash flow statement are in accordance with SSAP 24 and the transitional requirements of Financial Reporting Standard 17: Retirement Benefits.

NOTES TO THE ACCOUNTS

For the year ended 31 March 2003

2. INCOMING RESOURCES

	2003 £'000	2002 £'000
Incoming resources from operating activities		
<i>Aspirant SSC (NTO to Mar 2002)</i>		
Funding from DfES	134	334
Funding from other sources and other funding	439	596
	<u>573</u>	<u>930</u>
<i>Stonebow (education & training activities)</i>		
Course income	312	338
	106	158
Other income	89	74
	<u>507</u>	<u>570</u>
<i>HAB (awarding body activities)</i>		
Candidate Registration	1,232	1,101
Candidate Certification	426	262
VRQ Income	8	-
Other income	187	212
	<u>1,853</u>	<u>1,575</u>
	<u>2,933</u>	<u>3,075</u>
Incoming resources from activities for generating funds		
Includes:		
Rent receivable in respect of Ealing property	306	271
Accountancy services to Springboard UK Ltd and Springboard Charitable Trust (see note 17)	-	3
	<u>-</u>	<u>3</u>

3. INVESTMENT INCOME

	2003 £'000	2002 £'000
Bank and short term deposit interest	10	5
Income from UK investments	38	61
	<u>48</u>	<u>66</u>

4. RESOURCES EXPENDED CHARITABLE EXPENDITURE

	2003 £'000	2002 £'000
Cost of generating funds		
Publicity and promotions	63	87
Training and course materials	371	288
Course costs	150	148
External examination fees	197	151
Staff costs	1,425	1,798
Other costs (see below)	514	790
Costs of activities in furtherance of charity's objects	<u>2,657</u>	<u>3,175</u>
Staff costs	430	397
Rent and service charges	524	445
Other costs (see below)	(78)	346
Support costs	<u>876</u>	<u>1,188</u>
Management and administration (see below)	<u>91</u>	<u>44</u>
	<u>3,687</u>	<u>4,494</u>

Staff costs detailed in charitable expenditure includes direct staff costs of £1,550,015 (2002 £1,729,815) and staff related costs of £304,685 (2002 £465,607).

NOTES TO THE ACCOUNTS

For the year ended 31 March 2003

4. RESOURCES EXPENDED cont.

Direct staff costs	2003 £'000	2002 £'000
Salaries	1,442	1,605
Social security costs	108	125
Pension costs	-	-
	<u>1,550</u>	<u>1,730</u>

Other Costs	2003 £'000	2002 £'000
Consultancy fees	198	360
Distribution costs	100	70
VAT Unreclaimable	88	69
Telephone	26	35
Conferences and Meetings	18	81
Stationery and Photocopy charges	25	98
Travel and Subsistence	28	39
Subscriptions	7	14
Premise Repairs and Maintenance	13	14
Stock writeoff	-	7
Bad Debt	2	-
Other	9	3
Other Costs of activities in furtherance of charity's objects	<u>514</u>	<u>790</u>

Consultancy	42	47
Utility and Premise costs	24	34
Dilapidation charges	(49)	-
Conference and Meetings	-	5
Hardware/Software maintenance and repairs	38	22
Postage	20	24
Telephone and Communication charges	22	25
Stationery and Photocopy charges	4	6
Subscriptions	4	6
Bank and Investment charges	5	4
Insurance	10	9
Bad Debt provision	(72)	-
VAT Unreclaimable	(133)	138
Other	7	26
Other Support costs	<u>(78)</u>	<u>346</u>

Professional fees	83	35
Audit fee	8	9
Management and administration	<u>91</u>	<u>44</u>

NOTES TO THE ACCOUNTS

For the year ended 31 March 2003

5. NET OUTGOING RESOURCES FOR THE YEAR

	2003	2002
	£'000	£'000
Net (outgoing)/incoming resources for the year is stated after charging/(crediting):		
Auditors' remuneration - for audit services	8	8
Auditors' remuneration - for other services	23	-
Depreciation of tangible fixed assets	106	100
Release of Bad Debt Provision	(72)	-
Release of Dilapidation Provision	(49)	-
Release of VAT Provision	(133)	-
Operating lease rentals		
- land and buildings	<u>197</u>	<u>395</u>

6. TANGIBLE FIXED ASSETS FOR USE BY THE CHARITY

	Short leasehold improvements	Fixtures and office equipment	Total
	£'000	£'000	£'000
Cost			
At 1 April 2002	166	744	910
Additions	-	44	44
At 31 March 2003	<u>166</u>	<u>788</u>	<u>954</u>
Accumulated depreciation			
At 1 April 2002	166	512	678
Charge for the year	-	106	106
At 31 March 2003	<u>166</u>	<u>618</u>	<u>784</u>
Net book value			
At 31 March 2002	<u>-</u>	<u>170</u>	<u>170</u>
At 31 March 2001	<u>-</u>	<u>232</u>	<u>232</u>

Details of fixed assets set out above include fully depreciated items totalling £319,313 (2002 - £311,839).

7. INVESTMENTS HELD AS FIXED ASSETS

	2003	2002
	£'000	£'000
Quoted UK stock exchange investments		
Market value at 1 April	1,706	2,717
Additions at cost	-	-
Disposals at opening book value	(1,706)	(934)
Net unrealised investment losses	<u>-</u>	<u>(77)</u>
Market value at 31 March	<u>-</u>	<u>1,706</u>
Cost at 31 March	<u>-</u>	<u>2,044</u>
Net Realised Losses	<u>(392)</u>	<u>(68)</u>

NOTES TO THE ACCOUNTS

For the year ended 31 March 2003

8. DEBTORS	2003 £'000	2002 £'000
Trade debtors	443	419
Other debtors	4	3
Prepayments and accrued income	112	155
	<u>559</u>	<u>577</u>

9. CREDITORS	2003 £'000	2002 £'000
Amounts falling due within one year		
Trade creditors	283	345
Other creditors	31	23
Taxation and social security	59	78
Accruals and deferred income	273	487
HCTC Limited advance discount with HAB	46	93
	<u>692</u>	<u>1,026</u>
Amounts falling due after one year		
HCTC Limited advance discount with HAB	-	31
	<u>-</u>	<u>31</u>

The advance discount on the Awarding Body prices, implicit in the sales agreement of the HCTC training division completed on 31 July 1998, is written back to the SOFA over the initial 5 year life of the agreement.

10. PROVISIONS FOR LIABILITIES AND CHARGES	Opening balance 1 April 2002 £'000	Provided/ (released) in year £'000	Applied in year £'000	Closing balance 31 March 2003 £'000
Dilapidations and associated costs in respect of Ealing property lease	190	(48)	-	142
	<u>190</u>	<u>(48)</u>	<u>-</u>	<u>142</u>

The company has arrived at the amounts included above after reference to external professional advice.

11. TAXATION

The trust is a registered charity and does not trade for tax purposes. It is not liable to corporation tax on any surplus.

12. TOTAL FUNDS	2003 £'000	2003 £'000
Opening fund as previously stated	1,645	2,859
Net outgoing resources	(380)	(1,069)
Realised losses	(392)	(68)
Unrealised losses	-	(77)
Closing funds	<u>873</u>	<u>1,645</u>

NOTES TO THE ACCOUNTS

For the year ended 31 March 2003

13. OPERATING LEASE COMMITMENTS

At the year end, the company was committed to make the following payments during the next year in respect of operating leases:

	Land and buildings		Other	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Leases which expire:				
<i>within one year</i>	-	-	4	22
<i>within two to five years</i>	-	-	50	66
<i>after five years</i>	197	395	-	-
	<u>197</u>	<u>395</u>	<u>54</u>	<u>88</u>

14. INFORMATION REGARDING EMPLOYEES AND TRUSTEES

Average number of employees during the year including both full and part time (each part time employee is shown as equivalent to half a full time employee)

	No. 2003	No. 2002
	<u>48</u>	<u>50</u>

The average number of employees, analysed by division, was:

Aspirant SSC (NTO to March 2002)

Hospitality Awarding Body

Stonebow

	13	22
	24	15
	11	13
	<u>48</u>	<u>50</u>

Total emoluments (remuneration and taxable benefits)

	£'000 2003	£'000 2002
	<u>1,550</u>	<u>1,730</u>

The number of employees paid over £50,000 during the year (salary plus taxable benefits) was:

£60,001 - £70,000

£70,001 - £80,000

£90,001 - £100,000

	No. 2003	No. 2002
	1	-
	1	2
	1	-

For employees earning over £50,000:

The number of staff in defined benefit pension scheme

	<u>-</u>	<u>1</u>
--	----------	----------

No trustee, or person related or connected by business to them, has received any remuneration from the trust during the year.

During the year John Brackenbury, in his role of Executive Chairman, received £41,355 (2002: £38,375) in respect of consultancy payments which have not been included in the above figures.

During the year the total expenses reimbursed to the trustees amounted to £739 (2002 - £3,548). This principally represents reimbursed travelling expenses incurred in attending trustees' meetings.

The trust purchased insurance costing £1,819 (2002 - £1,654) to protect the company from loss arising from neglect or default of its senior management and trustees and to indemnify them against the consequences of neglect or default on their part.

NOTES TO THE ACCOUNTS

For the year ended 31 March 2003

15. ACQUISITION

During December 2002 HtF completed the acquisition of the assets and business of Ttento. The aim of the acquisition was to allow HtF to broaden its core "footprint" to include industries that spanned activities from retail travel and tour guiding to exhibition organisers. Other than £3,565 in respect fixtures, office equipment and intellectual property, books and records, contracts and properties, no further consideration was paid. Five former employees of Ttento joined HtF.

16. PENSION SCHEME

The company is a participating member of the ITB Pension Funds, in operation for the Industrial Training Boards and their successors. The assets of the scheme are held separately from those of the company in an independently administered fund. The actuarial liability is determined for the scheme as a whole and not for individual participating employers. For practical purposes the contributions paid to the scheme comprise the company's pension costs relating to the employees who are members of the scheme and these are charged to the Statement of Financial Activities in the period to which the contributions relate.

The Open Fund was formed in 1983 from an apportionment of the Combined Fund, and originally comprised those members of the Combined Fund whose employment was not terminated in the financial year 1982/83 as a result of measures taken by the then Secretary of State for Employment.

Following the revaluations undertaken in 1993 and 1998 agreement was reached between the participating employers and trustees of the pension scheme which resulted, inter alia, in each employer being allocated a share of the surplus to be dispersed in accordance with the fund rules, and is known as the Framework Agreement.

The pension cost charge for the year was £nil (2002 - £nil). From August 1999 the company continued to contribute to the scheme at the rate of 16%. This was funded by 5%, with funds from the HtF employers share of the actuarial surplus under the Framework Agreement and 11% from the remaining Open Fund surplus. Although the scheme is a contributory scheme, with employees contributing 6%, from 1 April 2001 the scheme has effectively become non-contributory for employees, their contributions being funded by 5% from the surplus under the Framework Agreement and 1% from the remaining Open Fund surplus.

17. RELATED PARTY TRANSACTIONS

Stephen Moss and John Brackenbury are directors of Springboard Charitable Trust and Stephen Moss is a director of Springboard UK Limited. Certain contracts have been awarded to HtF by Springboard Charitable Trust and Springboard UK Limited in respect of accounting services until June 2001 when the contract ended.

John Brackenbury was a non-executive director of the Hotel and Catering Training Company Limited (HCTC), which receives awarding body services from HAB. John Brackenbury resigned from HCTC on 31 October 2002. HCTC sales to that date during the year under review were £145,143.