

Company No. 2557730

People 1st
(Formerly Hospitality Training Foundation)

ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2005



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COMPANIES HOUSE 12/01/2006

people 1st

ANNUAL REPORT AND ACCOUNTS

31 MARCH 2005

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FINANCIAL STATEMENTS 2005

LEGAL AND ADMINISTRATIVE DETAILS

MEMORANDUM AND ARTICLES OF ASSOCIATION

In order to establish a governance and management framework appropriate to the requirements of a Sector Skills Council (SSC) a new Memorandum and Articles of Association was adopted on 25 March 2004. On 19 May 2004 the trustees resolved to change the name of the company to People 1st. The trustees believe that the name People 1st reflects the nature of the business and the wider objects of the company. As a National Training Organisation (NTO) the company had responsibilities to the Hospitality industry, however as an SSC, the objects are wider, with responsibilities to the Hospitality, Leisure, Travel and Tourism industries.

In May 2004, People 1st was awarded an SSC licence, for an initial five year period, with effect from 1 April 2004.

BOARD OF TRUSTEES

On adoption of the new Memorandum and Articles of Association, the Board of Trustees resigned and a new Board of Trustees, appointed by a Nominations Committee, was established. Under the new Articles of Association, on appointment to the Board, a Board Member shall become a Member of the Company.

The following trustees have served since 1 April 2004.

Christopher Bell	(resigned 11 January 2005)	Sir Michael Lickiss	
John Brackenbury CBE	(resigned 27 January 2005)	Sir Francis Mackay	(resigned 15 September 2004)
Judith Brimble	(appointed 1 December 2004)	Andrew Main Wilson	(appointed 14 September 2005)
Michael Burton		Stephen Moss CBE	
Penelope,		Christopher Ripper	
Viscountess Cobham	(resigned 11 April 2005)	Duncan Robertson	
Martin Cox		Philippe Rossiter	
Peter Darnell		David Thomas CBE	
Donald Davenport	(appointed 15 September 2004)	Marie Thomas	
Geoffrey Fenlon		Richard Tobias OBE	(resigned 20 December 2004)
Ralph Findlay		Martin Wellings	
Kulsum Hussin		Nicholas Varney	
Christopher Jackson OBE		Neal Young	

APPOINTMENT OF TRUSTEES

On adoption of the new Memorandum and Articles of Association, a sub-committee of the Board, the Nominations Committee, was constituted, whose responsibility it is to consider the appropriate mix of skills, knowledge, experience, geographic location and employer company size required on the Board and shall have due regard to the specialisms a trustee may contribute to the Board and the knowledge of or experience in the industries in which he is or has been engaged.

REGISTERED OFFICE

2nd Floor
Armstrong House
38 Market Square
Uxbridge UB8 1LH

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

Darbys
52 New Inn Hall Street
Oxford OX1 2QD

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COMPANY SECRETARY

Emma M Crookes CIPD (appointed 27 January 2005, resigned 30 September 2005)
 David Stanton FCA (resigned 26 January 2005)
 Simon C V Tarr ACA (appointed 1 October 2005)

EXECUTIVE MANAGEMENT TEAM

John Brackenbury CBE	Chairman	(resigned 27 January 2005)
Donald Davenport	Chairman	(appointed 28 January 2005)
Simon Turl	Chief Executive Officer	(resigned 2 December 2004)
Brian Wisdom	Chief Executive Officer	(appointed 2 December 2004)
Emma Crookes CIPD	Human Resources Manager	(appointed 1 April 2004)
David McHattie	Commercial and Customer Services director	(appointed 9 May 2005)
Gareth Phillips	Managing director	
	Training and Awards Division	(appointed 1 April 2005)
Philip Raynsford	Strategic Programme & Technical director	(appointed 2 May 2005)
Tim Sinclair	Sales and Marketing director	(left 3 February 2005)
David Stanton FCA	Finance and Technical director	(resigned 26 January 2005)
Declan Swan	SSC director	(left 31 May 2004)
Simon C V Tarr	Finance and Systems director	(appointed 4 July 2005)

CONSTITUTION

People 1st 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 2557730

TRUSTEES' REPORT

The trustees present their annual report and the audited financial statements for the year ended 31 March 2005. 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 of such research for the public benefit.

People 1st's long term vision is for 'the Hospitality, Leisure, Travel and Tourism Sector to deliver world class productivity through its skilled people.'

People 1st's role in achieving this vision is to provide the environment which will enable employers to have the right number of people with the right skills and qualifications at the right time. People 1st will do this by understanding the future needs of its employers and working with government and educators to direct funding to enable delivery of a demand led learning provision for the sector.

During the year under review People 1st operated through two divisions. These were the Sector Skills Council, formerly the National Training Organisation, and the Award Making Division, (operating as the Hospitality Awarding Body - HAB and Stonebow respectively).

People 1st (The Sector Skills Council division) carries out four activities on an ongoing basis:-

1. Setting Standards

People 1st write the National Occupational Standards, without which there can be no consistent training or qualifications (for example, the SSC is currently writing the standards for the gambling industry).

2. Simplifying Qualifications

People 1st is rationalising qualifications to ensure that they meet employer needs so that employees and employers can understand which qualifications relate to which jobs.

3. Early Warning System

People 1st carries out extensive labour market research to alert industry to trends in workforce development.

4. National and Regional Best Practices

People 1st works with the devolved administrations and regional bodies to ensure that the skills strategy for the sector brings benefits to the UK economy.

The Training and awards division issues certificates (through the Hospitality Awarding Body) and carries out 'open' and 'in-company' training courses (through Stonebow).

CHAIRMAN

On 27 January 2005, John Brackenbury CBE resigned as Chairman and Donald Davenport was appointed. Mr. Brackenbury stepped down as Chairman after ten months in the role and after eight years involvement in, and leadership of, People 1st's predecessor business. The company is very grateful for his contribution.

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 management team under the chairmanship of Donald Davenport, having been appointed to the role on 28 January 2005 replacing John Brackenbury. The Chief Executive Officer is Brian Wisdom, who was appointed in December 2004, replacing Simon Turl who completed his one-year secondment.

People 1st was awarded a Sector Skills Council licence in May 2004, and as a result the Trustees resolved to change the name of the company from Hospitality Training Foundation to People 1st, a name more appropriate to that of an SSC.

On the 30th September 2005, People 1st completed the sale of its Awarding Body (HAB) to The City and Guilds of London Institute. The transfer is an extremely positive outcome for both People 1st and the wider Hospitality, Leisure, Travel and Tourism sector.

The sale has secured the medium term financial stability of People 1st and has enabled the company to build on its existing strategy and to

TRUSTEES' REPORT

accelerate delivery in a number of key areas, in particular the development of the Sector Skills Agreement between industry, Government and education.

REVIEW OF THE YEAR

SECTOR SKILLS COUNCIL (formerly the NTO)

One of the core activities of any Sector Skills Council is to ensure the education and training infrastructure meets the needs of employers. This work centres on ensuring that the content and delivery of learning and qualifications are fully in-line with employers' and employees' needs.

During the year under review, People 1st undertook a wide range of projects and activities in this key area. Certain of these were funded through contributions from government and others were undertaken and funded directly by People 1st. A summary of some of the key areas of work is provided below.

Review of hospitality and travel occupational standards

Occupational standards set out what industry expects a given employee in a given job to be able to know and what they should know. During the year ended 31 March 2005 People 1st worked closely with employers from across the hospitality and travel industries to review existing standards and agree new ones that were more in line with job roles today.

The project was difficult to negotiate given that there is a diverse range of organisations and different needs from employees within the sector. However, during the year People 1st produced new standards which reflect employer needs and which will form the basis of all future qualifications developed for the industries.

Occupational standards for other industries

People 1st also began work on developing occupational standards for the gaming industry (casinos, betting and bingo), holiday parks, visitor attractions and self-catering accommodation. The aim is to ensure that each industry has access to up-to-date standards. This may involve developing new, or drawing on, existing standards from the hospitality and related industries.

Produced training materials for school meal caterers

Following a request from the Food Standards Agency and the Department for Education and Skills, People 1st worked with employers to develop materials designed to raise awareness of basic nutrition amongst front-line staff working in school kitchens and restaurants.

The materials were targeted at in-house and external trainers and also covered different strategies to encourage pupils to eat a more healthy meal, focusing on merchandising and selling skills. The materials produced have subsequently been translated into nationally recognised qualifications by several awarding bodies.

Apprenticeship programmes in hospitality and travel

People 1st secured government funding to begin a comprehensive review of apprenticeships across the hospitality and travel industries, together representing approximately 90% of the SSC's total sector. The review will be taken forward during the year ending 31 March 2006, in close consultation with employers and key users of the frameworks.

As well as reviewing the frameworks, People 1st was part of the hospitality advisory group to the National Skills Taskforce. This group took forward a range of activities to promote apprenticeships to hospitality employers and to encourage the take-up of apprenticeships.

People 1st also played an active role in advising government on its plans for the future funding of apprenticeship programmes. A panel of experts in apprenticeship delivery was established to advise on the time and cost required to deliver each framework.

TRUSTEES' REPORT

Skill Seekers Tracking

People 1st secured funding to track candidates on the Skill Seekers programme in Scotland. The aim is to understand the reasons for the high drop-out rate from this programme by tracking each candidate from recruitment, through to the completion of the programme, understanding their needs and identifying the reasons why many fail to complete. This is an important longitudinal study and will play a key role in the SSC's recommendations to the Scottish Authorities on the future policy around Skill Seekers.

Sector Skills Agreement

This agreement represents a contract between industry and government, defining the skills issues facing industry and setting out what both industry and government will do to resolve them. The process of developing this important agreement takes around two years, beginning with a six month programme of research to identify employer needs. People 1st has embarked on initial research into the size and structure of each industry within its sector to lay the foundation for the wider research stage ahead.

Sector Qualifications Strategy

People 1st secured agreement from QCA to fund the development of a Sector Qualifications Strategy. The aim is to identify employer needs from qualifications and learning programmes generally and then to ensure all future development in such areas meets employer needs.

People 1st began this project by looking at the area of food preparation and cooking. This has led to the successful development of new food safety awards to meet forthcoming legislative requirements. The awarding bodies producing these awards were encouraged to work in partnership so that their resulting qualifications were based on common content. This is a significant step forward in producing a more coherent framework of qualifications for employers.

Advised government on behalf of employers

People 1st responded, on behalf of industry, to a wide variety of government consultations on plans for future developments in training and education. These included consultations on the Framework for Achievement, QCA consultation on 14-19

Diplomas, Highlands and Islands Enterprise consultation on future funding proposals for apprenticeships, ACCAC consultation on credit frameworks and the Welsh Tourist Board Action plan.

Partnerships and Engagement

The national and regional team, during the year ended 31 March 2005, was largely engaged in establishing the infrastructure for the SSC. Notable successes were as follows:

Smarter Spending Model

The team introduced the Smarter Spending Model, which identified how much public sector money was being spent on tourism skills and where the funds were being spent and on what.

The work has, to date, covered four of the nine English regions and from those figures it can be extrapolated that between £300m and £600m is being spent annually by Central Government, and that there are in excess of 2,000 partner organisations spending that money on behalf of the sector.

Audit of Tourism Networks

The team undertook an audit of Tourism Networks, which identified all of the Tourism Business Networks and highlighted the number of businesses involved, what they do, their remit, contact details and their interest in skills. This piece of work has been invaluable in recognising the employer networks in the regions and assisting the engagement process.

The work of the Smarter Spending Model and the audit of networks will continue throughout the UK during the year ending 31 March 2006. This work has been endorsed by DCMS and the Tourism Minister James Purnell.

Steps to Success

Steps to Success is a key piece of strategic work that People 1st embarked on in partnership with VisitBritain and Best Practice Forum, which will introduce a skills element into the star rating assessment. The introduction of the new standards has given the SSC a window of opportunity to incorporate a voluntary skills assessment at the end of every star rating assessment, through the services of GSL assessors. This will go to discreet pilot in October

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of 2005, with the full pilot in 2006 potentially giving access to 40,000 businesses per year. The pilot has been endorsed by DCMS and the Tourism Minister.

Other operational successes for the Partnerships and Engagement Team include:

- Contracts secured in Humber, Derbyshire, Leicestershire and London.
- Workforce Development Plans have been published in the East Midlands and the North East.
- The North West Tourism Skills Network contract was secured.

Office relocation

During July 2004, People 1st relocated its offices from Ealing to Uxbridge. The move was prompted by the high cost of the Ealing lease and the availability of office space in Uxbridge on considerably better terms. The early termination cost of the Ealing lease, together with the office move and refurbishment costs of the new offices, was partly funded to the extent of £500,000 through the Sector Skills Development Agency's Sector Investment Package.

The saving in accommodation costs will be re-invested in increasing the capacity and capability of the company.

THE TRAINING AND AWARDS DIVISION

The division consists of two long established and highly regarded brands, Hospitality Awarding Body (HAB) and Stonebow.

The main objective for the division is to deliver quality qualifications and training to the sector. Resultant surpluses have contributed to the funding of the operations of the Sector Skills Council.

HOSPITALITY AWARDING BODY

HAB provides a successful and acknowledged awarding body service for National Vocational Qualifications (NVQ's) and Scottish Vocational Qualifications (SVQ's).

HAB is amongst the largest sector-specific awarding bodies in the UK and offers a full range of NVQ's including:

- Food preparation and cooking
- Food service
- Bar and cellar
- Front office
- Craft Baking
- Cleaning
- Key and Core skills
- Customer service

The year saw revenue of £1,910,000, (2004 £1,745,000) an increase on the previous year of 9.4%, and the surplus before shared services grew significantly over the previous year. This was due to growth across all product groups.

HAB continued to drive distribution and sales of the new Vocationally Related Qualifications (VRQs) in Hospitality Customer Service, Hospitality Selling and Hospitality Conflict Handling. There are now over two hundred approved Centres, which include Colleges, Training Providers and Employers.

The development of these new qualifications has involved the innovative use of the internet to ensure easy access of materials and registration of candidates, through to the processing of assessment papers and issuing results. This indicates HAB's continuing drive to maximise the use of technology to best suit the needs of HAB, colleges, training providers and students.

STONEBOW

Stonebow has a long history of developing and delivering recognised quality training and development programmes to the hospitality, leisure and tourism industries. It is an important source of income to the charity.

Revenue fell to £328,000 (2004 £392,000), however the net operating contribution rose to £93,000 (2004 £9,000) due to the cost saving measures taken the previous year.

TRUSTEES' REPORT

THE YEAR AHEAD

SECTOR SKILLS COUNCIL

In line with the terms of the five year SSC licence, People 1st has agreed Key Performance Indicators with the SSDA for the years ending 31 March 2006 and 31 March 2007.

The senior management team was enhanced during the first quarter of 2005 with David McHattie joining as Commercial and Customer Service Director and Simon Tarr joining as Finance and Systems Director. The People 1st executive team, with a blend of international commercial experience, in-depth first hand knowledge of the sector and significant experience working with the Education authorities, is now well equipped to work with the government and industry partners to tackle the issues, and move the sector forward.

People 1st has six strategic priorities for the two years ending 31 March 2007:

1. Sector Skills Agreement (SSA)

The SSA is the contract which People 1st is brokering between employers, the government and educators to ensure that the skills employers need are the skills employers get in the future.

There are five stages:

- Identify what skills employers are looking for from their workforce now and in the future. This was completed in September 2005.
- Identify the amount, quality and impact of the available learning provision.
- Assessing the gaps between the demand for skills and the available learning supply.
- Based on the evidence, identify what needs to happen.
- Produce a final agreement of how People 1st, employers and key funding partners will take the required actions forward.

It is envisaged that the agreement will be finalised by December 2006.

2. 14-19 Agenda

Not all young people are academically minded. At a time when cooking is not on the national curriculum, People 1st is taking action to ensure that young people are attracted to the industry.

The government is launching new specialist vocational diplomas for 14-19 year olds in England. People 1st will write the curriculum and

has already successfully lobbied government to bring forward the launch date by two years. People 1st will work with employers to ensure that these diplomas meet their needs.

Junior Chefs Academy - People 1st is working with employers to ensure this programme reaches the entire nation. 70% of the 400+ students who have attended the academy course to date, have signed-up for a catering college.

3. Development Pathways

Research has shown that employers and employees find it hard to understand what the many available qualifications mean. It is therefore important to identify a clear link between skills and the levels of ability that employees need at various stages of their career.

People 1st is therefore creating an online development pathway which will:

- Inform both employers and employees of the skills required for each role.
- Empower the employee by identifying which qualifications are needed in order to successfully achieve the skills required to further their career.
- Enable employers to benchmark the attributes, skills and knowledge required by future or current employers in their recruitment or employee development processes.

4. Apprenticeships

The sector represented by People 1st has one of the lowest completion rates in UK business; approximately 20% of the 20,000 hospitality apprentices complete the program.

Research by People 1st has shown that:

- Existing apprenticeships program content is not reflective of employee needs.
- Apprenticeships are not aspirational and therefore do not attract the best young talent.
- Apprentices are not able to cope with certain aspects of the program – e.g. Key Skills.
- Apprentices are not given the right level of support from employers.

People 1st aims to increase the quality in the recruitment of apprentices and the delivery of apprenticeships, ensuring that all parties are informed about and take responsibility for the success of the program. People 1st is working with

TRUSTEES' REPORT

the LSC to obtain funding to develop the required demand led apprenticeships.

People 1st will focus initially on reviewing the existing programmes and aims to double completions from 20% to 40% over the next four years

5. International Workers

Many employers are faced with the problem of labour and skills shortages. In response they often turn to foreign workers to plug the gap of 100,000 vacancies, creating issues of language, authenticity and local knowledge.

The special exemption for the sector has finished and therefore People 1st is working with the Home Office to find a solution. This is an area particularly pertinent to ethnic restaurants. People 1st is proposing a new scheme which will allow workers from outside the European Economic Area to enter the UK to take short term visas.

6. Skills Passport

People 1st is launching an online skills passport for employers. This tool will allow individuals to record their qualifications and have them verified. It will take the form of a simple online CV, that when used in association with development pathways, becomes a personal development tool.

The employee will be able to:

- Benchmark their current skill level against job role standards.
- Recognise the skills gap between their current level and their goal.
- Identify where desired skills can be developed.

Partnerships and Engagement

The National and Regional team are focused in securing an employer led direction and has developed, and is continuing to develop, a number of products and services which will benefit the sector, employers, employees and their visitors.

The team is undergoing a restructure and will be set clear targets for employer engagement, generating or redirecting income and achieving goals in line with the six strategic priorities of the SSC.

During the first six months of the year ending 31 March 2006, three new contracts have been

secured amounting to over £1m, and two new members of staff have been appointed.

The National and Regional team will no longer be known as Partnerships and Engagement and will now be referred to as Skills Development Team UK. The team will work as a coordinated UK team, anticipating and responding when required, identifying an opportunity when it arises and responding to needs, regardless of the geographic area.

THE TRAINING AND AWARDS DIVISION

HOSPITALITY AWARDING BODY

HAB is looking to see continued growth in all revenue streams. HAB is continuing to drive the development strategy of gaining new Centres from competitors based on the principles of offering the highest levels of Quality and Customer Service. HAB sees the growth coming from NVQs in Hospitality and Cleaning and VRQs.

HAB will run 'Centre Forums' to generate more ideas to attract more learners into part and full time education and to generate new ideas for sustainable product development.

In addition, HAB will continue to robustly market and sell both its new and existing qualifications to existing and potential clients and also to industry in a structured and methodical way.

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.

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

Post balance sheet event

On the 30 September 2005, the HAB business was sold as a going concern to The City and Guilds Institute of London. It is planned that City & Guilds will both invest in the development of the organisation to build on HAB's already successful customer focused business, as well as to provide a strategic relationship to benefit the Hospitality, Leisure, Travel and Tourism sector.

TRUSTEES' REPORT

STONEBOW

Stonebow will continue to concentrate on its strengths, which lie in its industry standard Group Training Certificate and Practical Training Certificate courses. In addition, it will seek to capitalise on the new British Institute of Innkeeping (BII) Personal Licence Holder Certificate.

Stonebow will also continue to focus on building strong links with major customers in the hospitality, leisure, travel and tourism market with a view to developing the 'in company' market.

Stonebow will ensure it is well placed to meet the disparate needs of its target audience and enhance its growing reputation for delivering training solutions which best meet the needs of the customer.

HUMAN RESOURCES

HR policies are in place that the trustees believe are appropriate for the size of the business and these are audited regularly in line with the IIP standard.

QUALITY COMPLIANCE

ISO-9001:2000

People 1st continues to demonstrate its commitment to quality in all areas of its operations.

The award was maintained for the year under review and up until the sale of the Hospitality Awarding Body on 30 September 2005. Given the size of the restructured organisation the Trustees do not consider it appropriate to continue with the ISO award.

Investors in People

The Investors in People accreditation has been retained. The next Investors in People assessment will be performed in 2007.

SUMMARY OF RESULTS FOR THE YEAR AND OUTLOOK FOR 2005/2006

The statement of financial activities shows a net incoming movement in resources for the financial year of £380,000 (2004 outgoing movement of £518,000). Income, excluding investment income, was significantly higher than the previous year at £5,749,000 (2004 £3,281,000). Investment income of £5,000 was £14,000 less than the previous year. Total funds at 31 March 2005 were £735,000 (2004 £355,000).

The SSC earned operating income of £3,445,000, having increased from £870,000 in the previous financial year. This significant increase reflects a full year's funding from the SSDA, and a doubling in other project related funding.

On the 30 September 2005, the HAB business was sold as a going concern to The City and Guilds Institute of London. The sale of HAB has secured the medium term financial stability of People 1st, increasing net reserves by circa £2.8 million.

TRUSTEES

In anticipation of being awarded an SSC licence, the Board of Trustees adopted a new Memorandum and Articles of Association on 25 March 2004. The purpose behind the adoption of the new document was to establish a governance and management framework appropriate to the requirements of the SSC.

On adoption of the new Memorandum and Articles of Association, the Board of Trustees resigned and a new Board of Trustees, appointed by a Nominations Committee, was established. Appointments to the Board are made with reference to the appropriate mix of skills, knowledge, geographic location and company size to ensure the Board reflects the sector's diversity.

Nominations for Board appointments are made to the Nominations Committee and are drawn from the following areas:

- Up to seven Board members at any one time may be nominated by Trade Associations. Such a Board member must be an employer, director, manager or sole proprietor concerned with the management of activities in the sector.

TRUSTEES' REPORT

- Seven sub committees of the Board for each of England, Scotland, Wales and Northern Ireland, a Small and Medium Sized Enterprise / Micro Business Taskforce, a Professional Bodies sub-committee and a Public Services sub-committee, shall each nominate one of their members.
- One Board member may be nominated by a Trade Union.

The Nominations Committee may itself identify up to nine Board Members at any one time.

All potential trustees must have sufficient knowledge of, or experience in, the sector to advance the objectives of the Company. Given that the SSC is employer-led, the majority of Board Members must be an employer, director, manager or sole proprietor concerned with the management of activities in the sector.

Trustee appointments and resignations were as follows:

Christopher Bell	(resigned 11 Jan 2005)
John Brackenbury CBE	(resigned 27 Jan 2005)
Judith Brimble	(appointed 1 Dec 2004)
Penelope, Viscountess Cobham	(resigned 11 April 2005)
Donald Davenport	(appointed 15 Sept 2004)
Sir Francis Mackay	(resigned 15 Sept 2004)
Andrew Main Wilson	(appointed 14 Sept 2005)
Richard Tobias OBE	(resigned 20 Dec 2004)

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

Ralph Findlay is a director of Wolverhampton and Dudley Breweries plc, a company that uses training services supplied by Stonebow.

Sir Francis Mackay and Donald Davenport are directors of companies within the Compass Group plc group of companies. During July 2004, as stated on page 6, People 1st relocated its offices from Ealing to Uxbridge. The lease for these offices is between People 1st and a company within the Compass Group and is at arms length.

EQUAL OPPORTUNITIES

People 1st 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.

TRUSTEES' REPORT

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 People 1st's premises.

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, in the past, adopted a prudent approach and all investments have been held in Charities Funds that have performed in line with the benchmark indices.

During the year ended 31 March 2005 there were insufficient funds to re-invest.

Funds received from the sale of HAB will be invested in line with the above Investment Policy.

RESERVES POLICY

As at 31 March 2005, the total funds of the charity were £735,000, of which £193,000 related to tangible fixed assets. Therefore, the charity had free reserves of £542,000 at that date.

The trustees wish to invest in the work and influence of People 1st and to secure the long-term future of the company by strengthening the capability and capacity of the organisation.

During the year ended 31 March 2005, reserves fell below the previously stated policy that reserves should not reduce significantly below £500,000, however the sale of HAB has secured the medium term financial stability of People 1st, increasing net reserves by circa £2.8 million.

Investment income received on the investment of funds generated from the sale of HAB will be applied to further the aims of the company.


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 continue to be grateful for the support of the management and employees of People 1st 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.

Approved by the Board of Trustees on 30 November 2005, and signed on their behalf.


Donald Davenport
Chairman.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEOPLE 1st (FORMERLY HOSPITALITY TRAINING FOUNDATION)

We have audited the financial statements of the People 1st for the year ended 31 March 2005, 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 People 1st 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

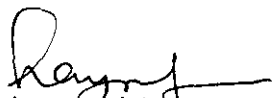
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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 PEOPLE 1st (FORMERLY HOSPITALITY TRAINING FOUNDATION)

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 2005 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 November 2005

STATEMENT OF FINANCIAL ACTIVITIES
For the year ended 31 March 2005

	Note	Total Funds 2005 £'000	Total Funds 2004 £'000
INCOME AND EXPENDITURE			
INCOMING RESOURCES			
Donations		58	253
Incoming resources from operating activities	2	5,683	3,007
Incoming resources from activities for generating funds	2	8	21
Investment income	3	5	19
TOTAL INCOME RESOURCES		5,754	3,300
RESOURCES EXPENDED			
Costs of generating funds	4	(362)	(63)
Charitable expenditure			
Costs of activities in furtherance of the charity's objects	4	(3,971)	(2,745)
Support costs	4	(989)	(961)
Management and Administration	4	(52)	(49)
TOTAL RESOURCES EXPENDED		(5,374)	(3,818)
NET INCOMING/(OUTGOING) RESOURCES IN YEAR	5	380	(518)
NET MOVEMENT IN FUNDS		380	(518)
TOTAL FUNDS brought forward at 1 April		355	873
TOTAL FUNDS carried forward at 31 March		735	355

All incoming resources give rise to unrestricted funds.

All activities relate to continuing activities.

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

BALANCE SHEET
As at 31 March 2005

	Note	2005 £'000	2004 £'000
FIXED ASSETS			
Tangible assets	6	193	107
		<u>193</u>	<u>107</u>
CURRENT ASSETS			
Stocks		26	34
Debtors	7	684	541
Cash at bank and in hand		425	613
		<u>1,135</u>	<u>1,188</u>
CREDITORS: amounts falling due within one year	8	(590)	(793)
NET CURRENT ASSETS		<u>545</u>	<u>395</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		738	502
PROVISIONS FOR LIABILITIES AND CHARGES	9	(3)	(147)
		<u>735</u>	<u>355</u>
FUNDS			
Unrestricted funds		735	355
TOTAL FUNDS	11	<u>735</u>	<u>355</u>

These financial statements were approved by the Trustees on 30 November 2005, and signed on their behalf.



Donald Davenport
Chairman

CASH FLOW STATEMENT
For the year ended 31 March 2005

	Note	2005 £'000	2004 £'000
Net cash (outflow) from operating activities	1	(49)	(306)
Returns on investment and servicing of finance	2	4	18
Net cash (outflow) from capital transactions	3	(143)	(21)
Cash (outflow) before management of liquid resources and financing		(188)	(309)
Decrease in cash		(188)	(309)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2005 £'000	2004 £'000
Decrease in Cash	(188)	(309)
	(188)	(309)
Net opening funds	613	922
Net closing funds	425	613

ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 2004 £'000	Cashflow £'000	Other non- Cash Movements £'000	At 31 March 2005 £'000
Cash at bank and in hand	613	(188)	-	425

NOTES TO THE CASH FLOW STATEMENT
For the year ended 31 March 2005

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

	2005 £'000	2004 £'000
Net incoming/(outgoing) resources	380	(518)
Investment income	(5)	(19)
Interest payable	1	1
Depreciation	57	84
Decrease in stocks	8	22
(Increase)/Decrease in debtors	(143)	18
(Decrease)/Increase in creditors	(203)	101
(Decrease)/Increase in provisions and liabilities	(144)	5
Net cash outflow from operating activities	<u>(49)</u>	<u>(306)</u>

2. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2005 £'000	2004 £'000
Investment income	5	19
Interest paid	<u>(1)</u>	<u>(1)</u>
	<u>4</u>	<u>18</u>

3. CAPITAL EXPENDITURE

	2005 £'000	2004 £'000
Payments to acquire tangible fixed assets	<u>(143)</u>	<u>(21)</u>
	<u>(143)</u>	<u>(21)</u>

NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

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.

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 net realisable value. No overhead expenditure is included.

Income

Income includes amounts receivable for SSDA funding, 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 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 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 14.

The ITB Pension Fund is a multi-employer defined benefits pension scheme. For the purposes 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 SSAP24 and the transitional requirements of Financial Reporting Standard 17: Retirement benefits.

NOTES TO THE ACCOUNTS

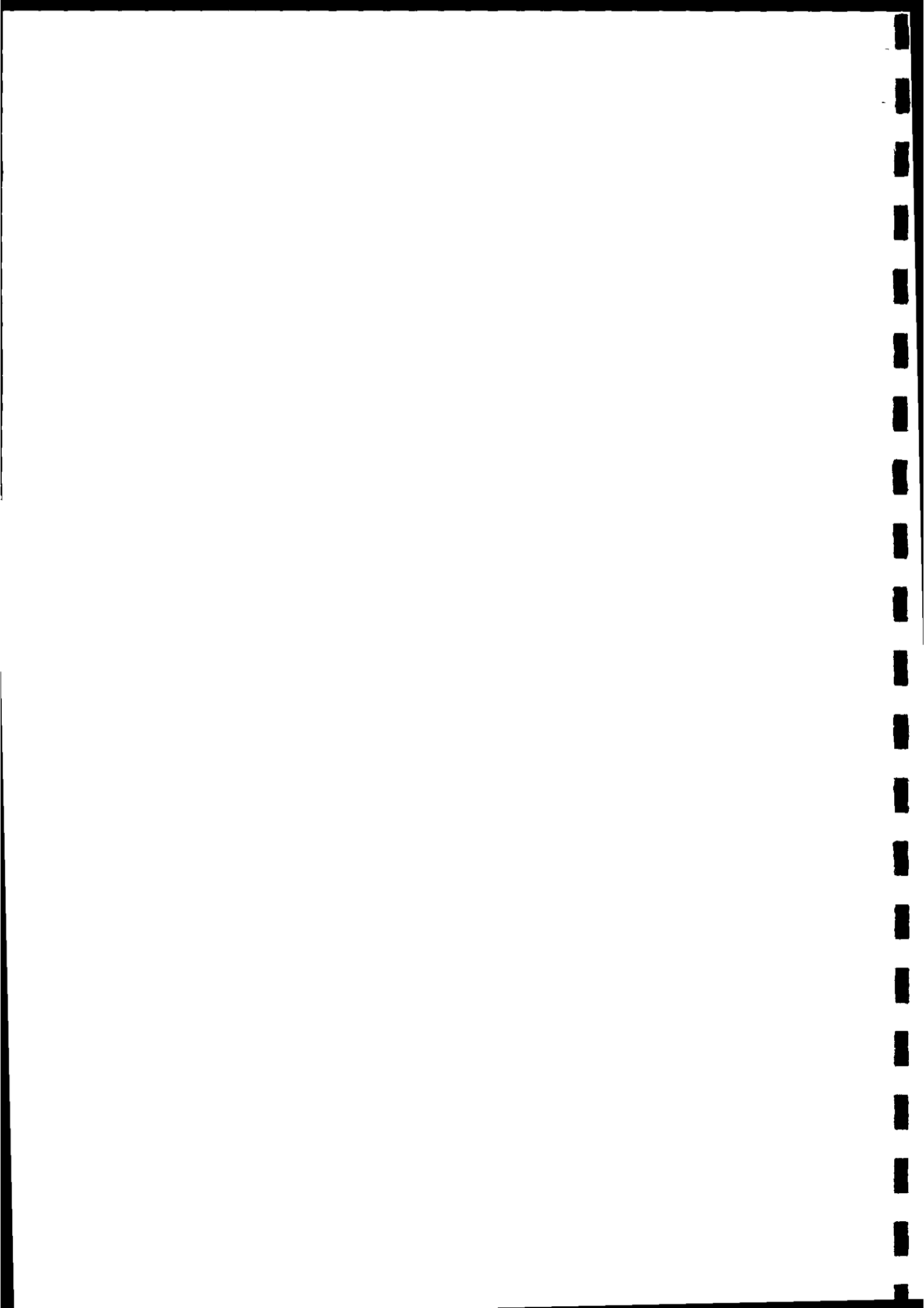
For the year ended 31 March 2005

2. INCOMING RESOURCES

	2005 £'000	2004 £'000
Incoming resources from operating activities		
SSC		
Funding from SSDA	2,159	292
Funding from other sources and other funding	1,286	578
	<u>3,445</u>	<u>870</u>
<i>Stonebow (education & training activities)</i>		
Course income	176	228
Other materials	104	111
Other income	48	53
	<u>328</u>	<u>392</u>
<i>HAB (awarding body activities)</i>		
Candidate Registration	1,166	1,070
Candidate Certification	435	419
VRQ Income	100	83
Other income	209	173
	<u>1,910</u>	<u>1,745</u>
	<u>5,683</u>	<u>3,007</u>
Incoming resources from activities for generating funds		
Includes:		
Rent receivable in respect of Ealing property	8	21

3. INVESTMENT INCOME

	2005 £'000	2004 £'000
Bank and short term deposit interest	3	19
Income from UK investments	2	-
	<u>5</u>	<u>19</u>



NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

4. RESOURCES EXPENDED	2005	2004
CHARITABLE EXPENDITURE	£'000	£'000
Cost of generating funds		
Publicity and promotions	113	63
Marketing	249	-
	<u>362</u>	<u>63</u>
Training and course materials	299	288
Course costs	366	117
External examination fees	181	188
Staff costs	1,759	1,584
Other costs (see below)	1,366	568
Costs of activities in furtherance of charity's objects	<u>3,971</u>	<u>2,745</u>
Staff costs	688	354
Rent and service charges	213	311
Other costs (see below)	88	296
Support costs	<u>989</u>	<u>961</u>
Management and administration (see below)	<u>52</u>	<u>49</u>
	<u>5,374</u>	<u>3,818</u>

Staff costs detailed in charitable expenditure includes direct staff costs of £1,880,201 (2004 £1,652,780) and staff related costs of £567,193 (2004 £285,046).

Direct staff costs	2005	2004
	£'000	£'000
Salaries	1,716	1,522
Social security costs	164	131
Staff Related Costs	567	285
	<u>2,447</u>	<u>1,938</u>

Other Costs	2005	2004
	£'000	£'000
Consultancy fees	350	204
Distribution costs	43	49
VAT unreclaimable	249	114
Telephone	27	27
Conferences and meetings	14	16
Stationery and photocopy charge	40	26
Travel and subsistence	17	13
Subscriptions	8	6
Premises repairs and maintenance	-	12
Costs of SSC Submission	-	37
Depreciation	57	84
HCTC discount	(7)	(23)
Bad debt provision	4	1
Termination of lease - Ealing	464	-
Moving costs	62	-
SSDA prelicense	27	-
Other	11	2
Other Costs of activities in furtherance of charity's objects	<u>1,366</u>	<u>568</u>

NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

4. RESOURCES EXPENDED cont.

	2005 £'000	2004 £'000
Consultancy	45	38
Utility and premises costs	19	21
Dilapidation charges	(144)	5
Conferences and meetings	-	1
Hardware/software maintenance	68	49
Postage	30	24
Telephone and communication charges	23	27
Stationery and photocopy charges	19	7
Subscriptions	-	3
Bank and investment charges	7	5
Insurance	19	16
Bad debt provision	1	-
Contingency	-	100
Other	1	0
Other Support costs	88	296

	2005 £'000	2004 £'000
Professional fees	41	39
Audit fee	11	10
Management and administration	52	49

5. NET OUTGOING RESOURCES FOR THE YEAR

	2005 £'000	2004 £'000
Net (outgoing)/incoming resources for the year is stated after charging/(crediting):		
Auditors' remuneration - for audit services	11	10
Auditors' remuneration - for other services	10	37
Depreciation of tangible fixed assets	57	84
(Release)/increase of Dilapidation Provision	(144)	5
Operating lease rentals		
- land and buildings	142	197

NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

6. TANGIBLE FIXED ASSETS FOR USE BY THE CHARITY

	Short leasehold improvements £'000	Fixtures and office equipment £'000	Total £'000
Cost			
At 1 April 2004	166	809	975
Additions	94	49	143
Items fully depreciated	(166)	(530)	(696)
At 31 March 2005	94	328	422
Accumulated depreciation			
At 1 April 2004	166	702	868
Charge for the year	5	52	57
Items fully depreciated	(166)	(530)	(696)
At 31 March 2005	5	224	229
Net book value			
At 31 March 2005	89	104	193
At 31 March 2004	-	107	107

Assets with an original cost of £696,030, that were fully depreciated and no longer in use, were written off during the year ended 31 March 2005. Details of fixed assets set out above include fully depreciated items totalling £84,889 (2004 - £529, 999).

7. DEBTORS

	2005 £'000	2004 £'000
Trade debtors	540	283
Other debtors	1	3
Prepayments and accrued income	143	255
	<u>684</u>	<u>541</u>

8. CREDITORS

	2005 £'000	2004 £'000
Amounts falling due within one year		
Trade creditors	185	321
Other creditors	-	-
Taxation and social security	55	78
Accruals and deferred income	350	371
HCTC Limited advance discount with HAB	-	23
	<u>590</u>	<u>793</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.

NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

9. PROVISIONS FOR LIABILITIES AND CHARGES	Opening balance 1 April 2004 £'000	Provided/ (released) in year £'000	Applied in year £'000	Closing balance 31 March 2005 £'000
Dilapidations and associated costs in respect of property leases	147	(144)	-	3
	<u>147</u>	<u>(144)</u>	<u>-</u>	<u>3</u>

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

10. TAXATION

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

11. TOTAL FUNDS	2005 £'000	2004 £'000
Opening fund as previously stated	355	873
Net incoming/(outgoing) resources	380	(518)
Closing funds	<u>735</u>	<u>355</u>

12. 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	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Leases which expire:				
within one year	-	-	27	-
within two to five years	86	-	16	-
after five years	-	197	-	-
	<u>86</u>	<u>197</u>	<u>43</u>	<u>-</u>

NOTES TO THE ACCOUNTS

For the year ended 31 March 2005

13. INFORMATION REGARDING EMPLOYEES AND TRUSTEES

	2005 No.	2004 No.
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)	<u>65</u>	<u>44</u>
The average number of employees, analysed by division, was:		
SSC (including shared services)	45	18
Hospitality Awarding Body	18	22
Stonebow	<u>2</u>	<u>4</u>
	<u>65</u>	<u>44</u>
	£'000	£'000
Total emoluments (remuneration and taxable benefits)	<u>2,447</u>	<u>1,938</u>
The number of employees paid over £50,000 during the year (salary plus taxable benefits) was:	No.	No.
£50,001 - £60,000	3	5
£60,001 - £70,000	1	-
£70,001 - £80,000	2	1
£90,001 - £100,000	-	2
For employees earning over £50,000:		
The number of staff in defined benefit pension scheme	<u>-</u>	<u>-</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 £nil (2004: £30,619) 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 £2,075 (2004 - £nil). This principally represents reimbursed travelling expenses incurred in attending trustees' meetings.		
People 1 st purchased insurance costing £2,190 (2004 - £2,190) 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 2005

14. 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 (2004 - £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.

15. RELATED PARTY TRANSACTIONS

During the year Sir Francis Mackay was chairman and Donald Davenport was Chief Executive UK and Ireland, of Compass Group plc. Simon Turl, Chief Executive of People 1st from November 2003 to December 2004, was on secondment from Compass Group plc at no cost to People 1st. This represents an estimated saving to People 1st of £100,000. The new lease for office accommodation is let from a company within Compass Group plc, on terms at arms length.

16. POST BALANCE SHEET EVENTS

On 30th September 2005, the HAB business was sold as a going concern to the City and Guilds Institute of London for the sum of £2.8m net of costs.