Bray Leino Training for Change Limited

Directors' report and financial statements

Registered number 02904433

31 December 2003

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

Principal activities and business review

The principal activity of the company during the year was that of training consultants.

The directors remain confident as to the company's future growth and prosperity.

The company trades under the name of Bray Leino Learning Development Solutions.

Results and dividends

The trading result for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors recommend the payment of a dividend of £263,000 *(2002: £Nil)*.

Directors and their interests

The directors who served during the year were as follows:

D W Morgan	
T R Coates	
T M Graunke	
J C Hanson-Smith	
L C Walker	(resigned 31 July 2003)
D J Nelson	(resigned 31 July 2003)
N Walpole	(resigned 31 July 2003)
S Cooper	(resigned 31 July 2003)
A N Bryant	(resigned 31 July 2003)

None of the directors who held office at the end of the financial year have any interests in the shares of the company or other group companies which are required to be disclosed under the provisions of the Companies Act 1985.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of group companies were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

By order of the board

T R Coates
Director

The Old Rectory
FILLEIGH
EX32 0RX

11 June 2004

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

KPMG LLP

100 Temple Street
Bristol
BS1 6AG
United Kingdom

Report of the independent auditors to the members of Bray Leino Training for Change Limited

We have audited the financial statements on pages 4 to 15.

This report is made solely to the 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 company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP.

KPMG LLP
Chartered Accountants
Registered Auditor

16 June 2004

Profit and loss account
for the year ended 31 December 2003

	Notes	2003 £	2002 £
Turnover		**4,868,172**	4,891,287
Cost of sales		**(3,378,636)**	(3,304,832)
Gross profit		**1,489,536**	1,586,455
Distribution costs		**(211,173)**	(142,469)
Administrative expenses		**(934,129)**	(1,017,135)
Operating profit		**344,234**	426,851
Interest receivable and similar income	*5*	**8,653**	9,983
Interest payable and similar charges	*6*	**(7,312)**	(879)
Profit on ordinary activities before taxation		**345,575**	435,955
Tax on profit on ordinary activities	*7*	**(111,051)**	(101,818)
Profit on ordinary activities after taxation	*2*	**234,524**	334,137
Dividends on equity shares	*8*	**(263,000)**	-
Retained (loss)/profit for the financial year		**(28,476)**	334,137

All of the activities of the company are classed as continuing.

The company has no recognised gains and losses other than the results for the year as set out above.

The accompanying notes are an integral part of this profit and loss account.

Balance sheet
as at 31 December 2003

	Notes	**2003**	**2003**	2002	2002
		£	**£**	£	£
Fixed assets					
Intangible assets	*9*	**26,952**		80,951	
Tangible assets	*10*	**258,779**		287,344	
			285,731		368,295
Current assets					
Stocks		**18,600**		18,300	
Debtors	*11*	**1,696,957**		1,258,232	
Cash at bank and in hand		**110**		618,412	
		1,715,667		1,894,944	
Creditors: amounts falling due within one year	*12*	**(1,031,238)**		(1,243,641)	
Net current assets			**684,429**		651,303
Total assets less current liabilities			**970,160**		1,019,598
Creditors: amounts falling due after more than one year	*13*		**-**		(20,296)
Provisions for liabilities and charges	*14*		**(2,790)**		(3,456)
Net assets			**967,370**		995,846
Capital and reserves					
Called up equity share capital	*16*		**100**		100
Profit and loss account	*17*		**967,270**		995,746
Equity shareholders' funds	*18*		**967,370**		995,846

The accompanying notes are an integral part of this balance sheet.

These financial statements were approved by the board of directors on 11 June 2004 and were signed on its behalf by:

T R Coates
Director

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements except as noted below.

Basis of preparation

The financial statements have been prepared under the historical cost convention rules and in accordance with applicable accounting standards.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of DVC Worldwide LLC, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of DVC Holdings (UK) Ltd within which this company is included, can be obtained from the address given in note 21.

Intangible fixed assets and amortisation – development expenditure

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the company is expected to benefit. This period is three years. Provision is made for any impairment.

Fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life, as follows:

Leasehold property	-	15 years straight line
Plant and machinery	-	15% reducing balance
Technical equipment	-	25% straight line

Residual value is calculated on prices prevailing at the date of acquisition.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are included in the profit and loss account.

European grant income

Capital grants receivable are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post retirement benefits

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Notes *(continued)*

1 Accounting policies *(continued)*

Work in progress

Work in progress is stated at the lower of cost and net realisable value, cost being the invoiced cost of goods and services supplied by outside parties for jobs in production.

Net realisable value is based on estimated invoice value less further costs expected to be incurred to completion.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax. Training course income is invoiced and recognised after courses have taken place. Interactive training and website construction income is recognised when billed to clients upon completion of the project.

2 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2003	2002
	£	£
Amortisation of deferred expenditure of intangible fixed assets	**53,999**	51,060
Depreciation and amounts written off tangible fixed assets:		
- owned	**53,449**	46,069
- held under finance leases	**-**	2,500
Profit on disposal of fixed assets	**-**	(4,356)
Auditors' remuneration:		
- audit fees	**5,800**	5,800
- non audit fees	**700**	700
Grant income recognised	**(40,800)**	(27,060)

Notes *(continued)*

3 Directors' remuneration

	2003	2002
	£	£
Directors' emoluments	**178,202**	377,091
Company contributions to money purchase pension schemes	**12,503**	29,881
	190,705	406,972

	Number of directors	
	2003	2002
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	-	6

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2003	2002
Administration	39	31
	39	31

The aggregate payroll costs of these persons were as follows:

	2003	2002
	£	£
Wages and salaries	**868,290**	787,779
Social security costs	**95,679**	69,278
Other pension costs	**42,398**	46,384
	1,006,367	903,441

Notes *(continued)*

5 Interest receivable and similar income

	2003 £	2002 £
Other	**8,653**	9,983
	8,653	9,983

6 Interest payable and similar charges

	2003 £	2002 £
Amounts payable on bank loans and overdrafts	**44**	19
Finance charges	**-**	860
Other	**7,268**	-
	7,312	879

7 Tax on profit on ordinary activities

Analysis of charge in period:

	2003 £	2003 £	2002 £	2002 £
Current tax				
UK corporation tax on profits of the period	**64,949**		122,287	
Adjustment in respect of previous periods	**46,768**		(2,925)	
		111,717		119,362
Deferred tax				
Origination and reversal of timing differences	**(666)**		(17,544)	
		(666)		(17,544)
Tax on profit on ordinary activities		**111,051**		101,818

Notes *(continued)*

7 Tax on profit on ordinary activities *(continued)*

Factors affecting tax charge for the period:

The current tax charge for the period is higher *(2002: lower)* than the standard rate of corporation tax in the UK (30%, *2002: 30%*). The differences are explained below:

	2003	2002
	£	£
Profit on ordinary activities before tax	**345,575**	435,955
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK (30%: *2002: 30%*)	**103,673**	130,786
Effects of:		
Expenses not deductible for tax purposes	**3,228**	2,099
Non-taxable income	**(46,920)**	-
Capital allowances in the period in excess of depreciation	**4,968**	(10,598)
Prior year tax charge	**46,768**	(2,925)
Current tax charge for period	**111,717**	119,362

8 Dividends

The following dividends have been paid in respect of the year:

	2003	2002
	£	£
Dividends on equity shares		
Final paid of £2,630 per share *(2002: nil p per share)*	**263,000**	-

Notes *(continued)*

9 Intangible fixed assets

	Development costs £
Cost	
At 1 January 2003 and 31 December 2003	157,542
Amortisation	
At 1 January 2003	76,591
Charge	53,999
At 31 December 2003	130,590
Net book value	
At 31 December 2003	**26,952**
At 31 December 2002	80,951

The intangible fixed assets relate to the development of a CD ROM for training purposes. The development commenced in 2000 and the first sale was made during 2001.

A grant has been allocated against development costs, over the useful life of the intangible asset. This has resulted in other operating income in the year of £40,800 *(£27,060)*, and a deferred income balance of £20,086 *(2002: £60,886)*.

Notes *(continued)*

10 Tangible fixed assets

	Leasehold property £	Plant and machinery £	Technical equipment £	Total £
Cost				
At 1 January 2003	207,582	63,007	182,063	452,652
Additions	2,001	-	22,883	24,884
Disposals	-	-	(19,753)	(19,753)
At 31 December 2003	209,583	63,007	185,193	457,783
Depreciation				
At 1 January 2003	36,847	18,839	109,622	165,308
Charge	16,457	6,625	30,367	53,449
Disposals	-	-	(19,753)	(19,753)
At 31 December 2003	53,304	25,464	120,236	199,004
Net book value				
At 31 December 2003	**156,279**	**37,543**	**64,957**	**258,779**
At 31 December 2002	170,735	44,168	72,441	287,344

Included in the total net book value of £258,779 is £nil *(2002: £nil)* in respect of assets held under finance leases. Depreciation for the year on these assets was £nil *(2002: £2,500).*

11 Debtors

	2003 £	2002 £
Trade debtors	**1,228,830**	1,249,272
Amounts owed by group undertakings	**400,957**	4,302
Other debtors	**61,670**	58
Prepayments and accrued income	**5,500**	4,600
	1,696,957	1,258,232

Notes *(continued)*

12 Creditors: amounts falling due within one year

	2003	2002
	£	£
Bank overdraft	**8,380**	-
Payments received on account	**125,080**	20,384
Trade creditors	**610,448**	679,295
Amounts owed to group undertakings	**2,912**	80,252
Taxation and social security	**209,032**	317,420
Other creditors	**55,300**	105,700
Accruals and deferred income	**20,086**	40,590
	1,031,238	1,243,641

13 Creditors: amounts falling due after more than one year

	2003	2002
	£	£
Accruals and deferred income	**-**	20,296

14 Provisions for liabilities and charges

	Deferred taxation
	£
At beginning of year	3,456
Credit to the profit and loss for the year	(666)
At end of year	2,790

The elements of deferred taxation are as follows:

	2003	2002
	£	£
Difference between accumulated depreciation and amortisation and capital allowances	**2,790**	3,456
Deferred tax liability	**2,790**	3,456

Notes *(continued)*

15 Contingencies

The company has entered into an omnibus guarantee and set off agreement with Lloyds TSB Bank plc in respect of the following group companies.

Bray Leino Group Limited
Bray Leino Limited
Blue Sky (UK) Limited
DVC Turquoise Limited

16 Share capital

	2003 £	2002 £
Authorised		
Equity shares		
1,000 ordinary shares of £1 each	**1,000**	1,000
Allotted, called up and fully paid		
Equity shares		
100 ordinary shares of £1 each	**100**	100

17 Profit and loss account

	£
Balance brought forward	995,746
Retained loss for the financial year	(28,476)
Balance carried forward	**967,270**

18 Reconciliation of movement in shareholders' funds

	2003 £	2002 £
Profit for the financial year	**234,524**	334,137
Equity dividends paid	**(263,000)**	-
Net (reduction in)/addition to equity shareholders' funds	**(28,476)**	334,137
Opening equity shareholders' funds	**995,846**	661,709
Closing equity shareholders' funds	**967,370**	995,846

Notes *(continued)*

19 Pensions

The company operates a defined contributions pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £42,398 *(2002: £46,384)*.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

20 Related party transactions

The company is controlled by Bray Leino Limited, its immediate parent company. The ultimate parent company and ultimate controlling party is DVC Worldwide LLC.

The company has contracted to pay annual rent of £13,000 to Mrs P H Morgan and £13,000 to a partnership consisting of S R James, Mrs A Kusmidrowicz and Mrs L Colom-Moreno for the use of their premises.

21 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary of DVC Worldwide LLC, incorporated in the United States of America.

DVC Holdings (UK) Limited, incorporated in England, is the parent company of the smallest group in which the company's results are consolidated. Copies of the consolidated financial statements are available from The Secretary, Tectonic Place, Holyport Road, Holyport, Maidenhead, SL6 2YE.

The largest group in which the results are consolidated is that headed by DVC Worldwide LLC. The consolidated accounts of this company are not available to the public. No other group accounts include the results of the company.