



CATALIS GROUP LIMITED
(formerly The Railway College
Limited) AND SUBSIDIARIES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 1999

COMPANY NUMBER : 3351659

CATALIS GROUP LIMITED (formerly The Railway College Limited) AND SUBSIDIARIES

FINANCIAL STATEMENTS

For the year ended 31 March 1999

Company registration number:

3351659

Registered office:

84 Brook Street
London
W1Y 1YG

Directors:

J Cohen
R Kelvin Hughes
P J J Radcliffe
Professor B Mellitt
D Reed

Secretary:

P C Stahelin

Bankers:

Bank of Scotland
14-16 Cockspur Street
London SW1Y 5BL

Auditors:

Grant Thornton
Registered Auditors
Chartered Accountants
30 Hounds Gate
Nottingham
NG1 7DH

CATALIS GROUP LIMITED (formerly The Railway College Limited)

FINANCIAL STATEMENTS

For the year ended 31 March 1999

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CATALIS GROUP LIMITED (formerly The Railway College Limited)

REPORT OF THE DIRECTORS

For the year ended 31 March 1999

The directors present their report together with financial statements for the year ended 31 March 1999.

Change of name

On 29 March 1999 the company changed its name from The Railway College Limited to Catalis Group Limited by special resolution.

Principal activities

The group is principally engaged in the provision of specialist training and development courses to the UK and international railway industries. The company is principally engaged as an investment company.

Acquisition of subsidiaries

In March 1999, the company acquired the whole of the issued share capital of Rail Training Audit Services. That company did not trade before 31 March 1999.

Business review

Demand for technical training has increased over the year to provide 10% more income than the previous year. Work from the infrastructure area has fluctuated as a result of uncertainties created by industrial action and the renewal of several infrastructure contracts but has been replaced by a wider range of work from the Train Operating Companies, manufacturers and from new contractors to the Rail Industry. This has broadened the profile of the key customers and encouragingly has reduced the reliance of the company on a few large infrastructure companies.

As indicated in last year's accounts, a major review and reorganisation has taken place over the last year in addition to a significant rationalisation of staff. This has adversely impacted profitability this year. However, a great deal has been achieved and invested to position the group for further growth in the developing rail market in the coming year. This includes a substantial strengthening of the Senior Management and Finance teams, new IT based accounting, sales and management information systems, the creation of a dedicated Marketing and Sales force as well as developing a new and wider range of products and approaches, to make the services to customers market rather than product led. This has been supported by a major exercise to change the staff culture to support a more commercial and customer led approach.

The company is actively looking for further growth through acquisition.

There was a Group operating profit before exceptional items of £232,653 (1998: loss of £10,961). The Group loss for the period after taxation amounting to £224,573 (1998: £74,623) has been transferred from Group reserves.

Year 2000

The risk analysis undertaken during the year has not identified any significant consequences in respect of failures in equipment, systems or of important suppliers and customers. However, given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will prevent themselves. Nevertheless, the directors believe that the company and the group have achieved an acceptable state of readiness and have also provided resources to deal promptly with significant subsequent failures or issues that might arise.

CATALIS GROUP LIMITED (formerly The Railway College Limited)

REPORT OF THE DIRECTORS (CONTINUED)

For the year ended 31 March 1999

Directors

Details of membership of the board and their dates of appointment, together with the beneficial interests of the directors and their families in the shares of the company, is set out below:

	"B" ordinary shares of £0.01 each	
	At 31 March 1999	At 1 April 1998
J Cohen	2,640	2,640
R Kelvin Hughes	2,640	2,640
P J J Radcliffe	-	-
D E Rayner	-	-
Professor B Mellitt (appointed 5 June 1998)	-	-
S P Vere (appointed 1 September 1998)	-	-
	=====	=====

S P Vere and D E Rayner resigned as directors on 27 April 1999. D Reed was appointed as a director on 2 June 1999.

Directors' responsibilities for the financial statements

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 the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

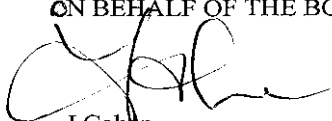
- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



J Cohen
Director

29 July 1999

**REPORT OF THE AUDITORS TO THE MEMBERS OF
CATALIS GROUP LIMITED**

We have audited the financial statements on pages 4 to 22 which have been prepared under the accounting policies set out on pages 4 and 5.

Respective responsibilities of directors and auditors

As described on page 2, the directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 affairs of the company and the group at 31 March 1999 and of the loss of the company and of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



GRANT THORNTON
Registered Auditors
Chartered Accountants

Nottingham
29 July 1999

CATALIS GROUP LIMITED (formerly The Railway College Limited) AND SUBSIDIARIES

PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention.

The principal accounting policies of the group are set out below.

BASIS OF CONSOLIDATION

The group financial statements consolidate those of the company and of its subsidiary undertakings drawn up to 31 March 1999. The results of the subsidiary undertakings acquired during the year have been included from the date of the acquisition. Profits or losses on intra-group transactions are eliminated in full. On acquisition of a subsidiary, all of the subsidiary's assets and liabilities which exist at the date of acquisition are recorded at their fair values reflecting their condition at that date.

As a matter of accounting policy, purchased goodwill first accounted for in accounting periods ending before 23 December 1998, the implementation date of Financial Reporting Standard No 10, was eliminated from the financial statements by immediate write-off on acquisition against reserves. Such goodwill will be charged or credited to the profit and loss account on the subsequent disposal of that business to which it relates.

TURNOVER

Turnover is the total amount receivable by the group for goods supplied and services provided, excluding VAT and trade discounts.

DEPRECIATION

Depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The rates or periods generally applicable are:

Leasehold improvements	Period of the lease
Training equipment	4 - 25%
Motor vehicles	3 years
Non-training equipment	8 - 25%
Computer equipment and software	3 years

INVESTMENTS

Investments are included at cost. Profits or losses arising from the disposals of fixed asset investments are treated as part of the result from ordinary activities.

DEFERRED TAX

Deferred tax is provided using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability. Debit balances arising in respect of advance corporation tax on dividends payable or proposed are carried forward to the extent that they are expected to be recoverable.

CATALIS GROUP LIMITED (formerly The Railway College Limited) AND SUBSIDIARIES

PRINCIPAL ACCOUNTING POLICIES

CONTRIBUTIONS TO PENSION FUNDS

Defined contribution fund

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

Defined benefit scheme

The pension costs charged against profits are based on actuarial methods and assumptions designed to spread the anticipated pension costs over the service lives of the employees in the scheme, so as to ensure that the regular pension cost represents a substantially level percentage of the current and expected future pensionable payroll. Variations from regular cost are spread over the average remaining service lives of current employees of the scheme.

LEASED ASSETS

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

CATALIS GROUP LIMITED (formerly The Railway College Limited) AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 March 1999

		Year ended 31 March 1999 £	Period ended 31 March 1998 £
	Note		
Turnover	1	4,981,180	1,420,203
Cost of sales		(2,642,321)	(640,630)
Gross profit		2,338,859	779,573
Other operating income		77,050	5,745
Administrative expenses		(2,183,256)	(796,279)
Exceptional administrative expenses	2	(308,291)	-
Operating loss		(75,638)	(10,961)
Net interest	3	(258,435)	(92,259)
Loss on ordinary activities before taxation		(334,073)	(103,220)
Taxation	5	144,500	38,570
Loss for the year after taxation		(189,573)	(64,650)
Dividend appropriation: cumulative preference dividends not yet declared	6	(35,000)	(9,973)
Transfer from reserves	15	(224,573)	(74,623)

There were no recognised gains or losses other than the loss for the financial period.

The accompanying accounting policies and notes form an integral part of these financial statements.

CATALIS GROUP LIMITED (formerly The Railway College Limited)

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 1999

	Note	Year ended 31 March 1999 £	Period ended 31 March 1998 £
Other operating income		150,000	60,000
Administrative expenses		(14,580)	(5,000)
Operating profit		135,420	55,000
Net interest	3	(272,343)	(100,888)
Loss on ordinary activities before taxation		(136,923)	(45,888)
Taxation	5	-	14,225
Loss for the period after taxation		(136,923)	(31,663)
Dividend appropriation: cumulative preference dividends not yet declared	6	(35,000)	(9,973)
Transfer from reserves	15	(171,923)	(41,636)

There were no recognised gains or losses other than the loss for the financial period.

The accompanying accounting policies and notes form an integral part of these financial statements.

CATALIS GROUP LIMITED (formerly The Railway College Limited) AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

At 31 March 1999

	Note	1999 £	1999 £	1998 £	1998 £
Fixed assets					
Tangible assets	7		2,145,114		2,230,813
Current assets					
Debtors: amounts falling due after more than one year	9	1,064,481		1,028,000	
Debtors: amounts falling due within one year	9	1,157,937		1,363,188	
Cash at bank		837,566		916,704	
		3,059,984		3,307,892	
Creditors: amounts falling due within one year	10	(2,405,298)		(1,832,569)	
Net current assets			654,686		1,475,323
Total assets less current liabilities			2,799,800		3,706,136
Creditors: amounts falling due after more than one year	11	(1,953,376)		(2,569,139)	
Provisions for liabilities and charges	12	(381,000)		(482,000)	
			465,424		654,997
Capital and reserves					
Called up share capital	14	505,894		505,894	
Share premium account	15	299,164		299,164	
Profit and loss account	15	(339,634)		(150,061)	
Shareholders' funds	16		465,424		654,997
Equity shareholders' funds			(79,549)		145,024
Non-equity shareholders' funds			544,973		509,973
			465,424		654,997

The financial statements were approved by the Board of Directors on 29 July 1999

J Cohen

Director

R Kelvin Hughes

Director

The accompanying accounting policies and notes form an integral part of these financial statements.

CATALIS GROUP LIMITED (formerly The Railway College Limited)

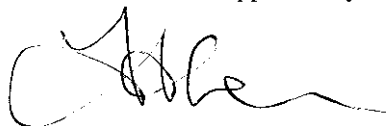
BALANCE SHEET

At 31 March 1999

	Note	£	1999 £	£	1998 £
Fixed assets					
Investments	8		3,402,177		3,402,177
Current assets					
Debtors	9	9,168		23,393	
Cash at bank		173,784		384,143	
		182,952		407,536	
Creditors: amounts falling due within one year	10	(1,081,408)		(558,405)	
Net current liabilities			(898,456)		(150,869)
Total assets less current liabilities			2,503,721		3,251,308
Creditors: amounts falling due after more than one year	11		(1,867,249)		(2,477,913)
			636,472		773,395
Capital and reserves					
Called up share capital	14	505,894		505,894	
Share premium account	15	299,164		299,164	
Profit and loss account	15	(168,586)		(31,663)	
Shareholders' funds	16		636,472		773,395
Equity shareholders' funds		91,499		263,422	
Non-equity shareholders' funds		544,973		509,973	
			636,472		773,395

The financial statements were approved by the Board of Directors on 29 July 1999

J Cohen



Director

R Kelvin Hughes



Director

The accompanying accounting policies and notes form an integral part of these financial statements.

CATALIS GROUP LIMITED (formerly The Railway College Limited) AND SUBSIDIARIES

CONSOLIDATED CASHFLOW STATEMENT

For the year ended 31 March 1999

	Note	Year ended 31 March 1999 £	Period ended 31 March 1998 £
Net cash inflow from operating activities	17	1,186,198	344,912
Returns on investments and servicing of finance			
Interest received		46,629	19,383
Interest paid		(293,843)	(110,454)
Finance lease interest paid		(11,221)	(1,188)
Net cash outflow from returns on investments and servicing of finance		(258,435)	(92,259)
Taxation		(167,099)	(84,894)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(164,816)	(2,800)
Sale of tangible fixed assets		25,674	-
Net cash outflow from capital expenditure and financial investment		(139,142)	(2,800)
Acquisitions and disposals			
Purchase of subsidiary undertakings		-	(3,402,177)
Net cash outflow from acquisitions and disposals		-	(3,402,177)
Financing			
Issue of shares		-	805,000
Receipts from borrowings		-	2,845,229
Repayment of borrowings		(507,613)	-
Capital element of finance lease rentals		(66,978)	-
Net cash (outflow)/ inflow from financing		(574,591)	3,650,229
Increase in cash	18	46,931	413,011

The accompanying accounting policies and notes form an integral part of these financial statements.

CATALIS GROUP LIMITED (formerly The Railway College Limited) AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 1999

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

An analysis of turnover by geographical market is given below:

	Group 1999 £	Group 1998 £
UK	4,907,349	1,411,128
Export	73,831	9,075
	<u>4,981,180</u>	<u>1,420,203</u>

The profit on ordinary activities is stated after:

	Group 1999 £	Group 1998 £	Company 1999 £	Company 1998 £
Auditors' remuneration	12,250	8,000	5,000	5,000
Depreciation and amortisation:				
Owned, tangible fixed assets	261,398	107,349	-	-
Assets held under finance leases and hire purchase contracts	72,654	11,498	-	-
Hire of plant and machinery	30,089	15,998	-	-
Other operating lease rentals	186,443	59,055	-	-
Interest payable to group undertakings	-	-	24,155	7,588

2 EXCEPTIONAL ITEMS

Exceptional administrative expenses are made up of redundancy and severance costs on reorganisation.

3 NET INTEREST

	Group 1999 £	Group 1998 £	Company 1999 £	Company 1998 £
On bank loans, overdrafts and loan notes	219,918	88,869	219,918	88,869
Finance charges in respect of finance leases and hire purchase contracts	11,221	1,188	-	-
Other interest payable and similar charges	73,925	21,585	73,925	21,585
	<u>305,064</u>	<u>111,642</u>	<u>293,843</u>	<u>110,454</u>
Other interest receivable and similar income	(46,629)	(19,383)	(21,500)	(9,566)
	<u>258,435</u>	<u>92,259</u>	<u>272,343</u>	<u>100,888</u>

CATALIS GROUP LIMITED (formerly The Railway College Limited) AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1999

4 DIRECTORS AND EMPLOYEES

Staff costs during the period were as follows:

	Group 1999 £	Group 1998 £	Company 1999 £	Company 1998 £
Wages and salaries	1,012,919	452,728	-	-
Social security costs	87,822	31,504	-	-
Other pension costs	45,914	18,500	-	-
	1,146,655	502,732	-	-

The average number of employees of the group during the period was 69 (1998: 68).

Remuneration in respect of directors was as follows:

	Group 1999 £	Group 1998 £	Company 1999 £	Company 1998 £
Emoluments	241,703	15,485	-	-

During the year 2 directors (1998: 2) participated in defined benefit pension schemes.

Remuneration in respect of the highest paid director amounted to £96,086. At 31 March 1999, the highest paid director's accrued pension amounted to £21,431 (1998: £20,587) and his accrued lump sum amounted to £28,884 (1998: £27,878).

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax credit is based on the loss for the period and represents:

	Group 1999 £	Group 1998 £	Company 1999 £	Company 1998 £
UK Corporation tax at an effective rate of 31% (1998: 30%)	(43,500)	(28,820)	-	-
Deferred taxation	(101,000)	(9,750)	-	-
Group relief recoverable	-	-	-	(14,225)
	(144,500)	(38,570)	-	(14,225)

CATALIS GROUP LIMITED (formerly The Railway College Limited) AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1999

6 DIVIDEND APPROPRIATION: CUMULATIVE PREFERENCE DIVIDENDS NOT YET DECLARED

	Group 1999 £	Group 1998 £	Company 1999 £	Company 1998 £
Non-equity:				
Accrued in respect of 7% cumulative redeemable preference shares of £1 each	35,000	9,973	35,000	9,973

7 TANGIBLE FIXED ASSETS

Group	Leasehold improve- ments £	Training equipment £	Non- training equipment £	Motor vehicles £	Office and IT equipment £	Total £
At 31 March 1998	200,000	4,128,769	43,567	19,723	163,008	4,555,067
Additions	-	20,004	79,201	93,024	56,124	248,353
Reclassification	-	(1,895)	1,895	-	-	-
Disposals	-	-	-	(9,769)	-	(9,769)
At 31 March 1999	200,000	4,146,878	124,663	102,978	219,132	4,793,651
At 31 March 1998	26,663	2,216,324	18,747	16,923	45,597	2,324,254
Provided in the year	7,537	230,904	15,629	22,901	57,081	334,052
Eliminated on disposal	-	-	-	(9,769)	-	(9,769)
At 31 March 1999	34,200	2,447,228	34,376	30,055	102,678	2,648,537
Net book value at 31 March 1999	165,800	1,699,650	90,287	72,923	116,454	2,145,114
Net book value at 31 March 1998	173,337	1,912,445	24,820	2,800	117,411	2,230,813

The figures stated above include assets held under finance leases and similar hire purchase contracts, as follows:

	Motor vehicles £	Computer equipment £
Net book amount at 31 March 1999	72,923	67,736
Net book amount at 31 March 1998	-	120,829
Depreciation provided in the period	20,101	11,498

The company held no tangible fixed assets at 31 March 1999 or 31 March 1998.

CATALIS GROUP LIMITED (formerly The Railway College Limited) AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1999

8 FIXED ASSET INVESTMENTS

	Group 1999 £	Group 1998 £	Company 1999 £	Company 1998 £
Cost				
Acquisition of subsidiary undertakings	-	-	3,402,177	3,402,177

At 31 March 1999, the company directly or indirectly held more than 20% of the equity share capital of the following undertakings:

	Country of incorporation /registration	Class of share capital held	Proportion held	Nature of business
Catalis Rail Training Limited	England	Ordinary	100%	Specialist training
Rail Training Audit Services Limited	England	Ordinary	100%	Dormant
Advicepart Limited	England	Ordinary	100%	Dormant

The shareholding of Advicepart Limited is held by Catalis Rail Training Limited.

9 DEBTORS

	Group 1999 £	Group 1998 £	Company 1999 £	Company 1998 £
Trade debtors	1,018,971	1,177,133	-	-
Other debtors	1,114,287	1,168,726	9,110	9,110
Prepayments and accrued income	45,602	45,271	-	-
Share capital unpaid	58	58	58	58
Taxation recoverable	43,500	-	-	-
Group relief recoverable	-	-	-	14,225
	2,222,418	2,391,188	9,168	23,393

Included above are the following amounts which are due after more than one year:

Pension prepayment	1,064,481	1,028,000	-	-
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The pension prepayment is calculated in accordance with the actuarial assumptions set out in note 22.

CATALIS GROUP LIMITED (formerly The Railway College Limited) AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1999

10 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 1999 £	Group 1998 £	Company 1999 £	Company 1998 £
Bank loans and overdrafts (see note 11 for security)	310,720	126,069	310,720	126,069
Unsecured loan notes 2002	159,647	367,316	-	-
Trade creditors	736,008	278,618	-	-
Amounts owed to group undertakings	-	-	671,573	398,375
Corporation tax	46,428	213,527	-	-
Social security and other taxes	63,667	164,384	-	-
Other creditors	48,450	103,593	26	4,000
Accruals and deferred income	966,067	526,409	99,089	29,961
Amounts due under finance leases and hire purchase agreements	74,311	52,653	-	-
	<u>2,405,298</u>	<u>1,832,569</u>	<u>1,081,408</u>	<u>558,405</u>

The unsecured loan notes are redeemable on 17 December 2002 but may be repurchased by agreement between the Group and the Noteholders, or redeemed at the Noteholders' request after specified notice, before that date.

11 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 1999 £	Group 1998 £	Company 1999 £	Company 1998 £
Bank loans	1,475,880	2,097,320	1,475,880	2,097,320
Other loans (unsecured)	391,369	380,593	391,369	380,593
Amounts due under finance leases and hire purchase contracts	86,127	91,226	-	-
	<u>1,953,376</u>	<u>2,569,139</u>	<u>1,867,249</u>	<u>2,477,913</u>

Bank loans and overdrafts are secured by fixed and floating charges over the assets and undertakings of the company and of its subsidiaries.

CATALIS GROUP LIMITED (formerly The Railway College Limited) AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1999

11 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONT)

Borrowings are repayable as follows:

	Group 1999 £	Group 1998 £	Company 1999 £	Company 1998 £
Within one year				
Unsecured loan notes 2002	159,647	367,316	-	-
Bank and other loans	310,720	436,789	310,720	436,789
Finance leases and hire purchase contracts	74,311	52,653	-	-
After one and within two years				
Bank and other loans	310,720	310,720	310,720	310,720
Finance leases and hire purchase contracts	74,311	52,653	-	-
After two and within five years				
Bank and other loans	1,323,529	1,312,753	1,323,529	1,312,753
Finance leases and hire purchase contracts	11,816	38,573	-	-
After five years				
Bank and other loans	233,000	543,720	233,000	543,720
	<u>2,498,054</u>	<u>3,115,177</u>	<u>2,177,969</u>	<u>2,603,982</u>

12 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation Group £	Company £
At 1 April 1998	482,000	-
Released during the year	(101,000)	-
	<u>381,000</u>	<u>-</u>
At 31 March 1999	<u>381,000</u>	<u>-</u>

13 DEFERRED TAXATION

	Amounts provided Group 1999 £	Company 1999 £	Amounts provided Group 1998 £	Company 1998 £
Accelerated capital allowances	177,000	-	180,000	-
On revalued assets in subsidiary	245,000	-	302,000	-
Trading losses	(41,000)	-	-	-
	<u>381,000</u>	<u>-</u>	<u>482,000</u>	<u>-</u>

CATALIS GROUP LIMITED (formerly The Railway College Limited) AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1999

14 SHARE CAPITAL

	1999 £	1998 £
Authorised:		
500,000 cumulative redeemable preference shares of £1 each (7%)	500,000	500,000
990 "A" ordinary shares of £10 each	9,900	9,900
10,000 "B" ordinary shares of £0.01 each	100	100
	<u>510,000</u>	<u>510,000</u>
Allotted, called up and fully paid:		
500,000 cumulative redeemable preference shares of £1 each (7%)	500,000	500,000
580 "A" ordinary shares of £10 each	5,800	5,800
9,420 "B" ordinary shares of £0.01 each	94	94
	<u>505,894</u>	<u>505,894</u>

Classes of share:

Preference shares

The preference dividend at a rate of 7% shall accrue from day to day and, if declared, be paid on 1 December in each year. Any preference dividend payable at a later date shall include any arrears and a further sum of interest on such arrears from the date they should have been paid if declared.

Preference shareholders have first call on a winding up in respect of any arrears of preference dividend and related interest and the return of paid up capital. A holder of preference shares is entitled to notice and to attend and speak at all general meetings of the company but shall not be entitled to vote.

Preference shares shall be redeemed in full at par on 4 December 2007 or immediately on a Flotation Date or Sale Date. There may also be whole or partial exemption at the discretion of the company, provided that conditions in 4(h) of the Articles of Association are met.

"A" and "B" ordinary shares

"A" and "B" ordinary shares rank pari passu in all respects.

CATALIS GROUP LIMITED (formerly The Railway College Limited) AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1999

15 SHARE PREMIUM ACCOUNT AND RESERVES

	Group		Company	
	Share Premium Account £	Profit and Loss Account £	Share Premium Account £	Profit and Loss Account £
At 1 April 1998	299,164	(150,061)	299,164	(31,663)
Loss for the year	-	(224,573)	-	(171,923)
Preference dividends, not yet declared	-	35,000	-	35,000
	<u>299,164</u>	<u>(339,634)</u>	<u>299,164</u>	<u>(168,586)</u>

The cumulative amount of goodwill arising from acquisitions accounted for in periods ending before 23 December 1998 which has been written off to group reserves is £85,411 (1998: £85,411).

The balance on the share premium account is non-distributable.

16 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group 1999 £	Group 1998 £	Company 1999 £	Group 1998 £
Loss for the financial year	(224,573)	(74,623)	(171,923)	(41,636)
Goodwill written off on acquisition	-	(85,411)	-	-
Issue of share capital	-	805,058	-	805,058
Preference dividends, not yet declared	35,000	9,973	35,000	9,973
	<u>(189,573)</u>	<u>654,997</u>	<u>(136,923)</u>	<u>773,395</u>
Net increase in shareholders' funds	(189,573)	654,997	(136,923)	773,395
Shareholders' funds at 1 April 1998	654,997	-	773,395	-
	<u>465,424</u>	<u>654,997</u>	<u>636,472</u>	<u>773,395</u>
Shareholders' funds at 31 March 1999	465,424	654,997	636,472	773,395
Attributable to:				
Equity shareholders	(79,549)	145,024	91,499	263,422
Non-equity shareholders	544,973	509,973	544,973	509,973
	<u>465,424</u>	<u>654,997</u>	<u>636,472</u>	<u>773,395</u>

CATALIS GROUP LIMITED (formerly The Railway College Limited) AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1999

17 NET CASH INFLOW FROM OPERATING ACTIVITIES

Group	1999 £	1998 £
Operating loss	(75,638)	(10,961)
Depreciation and amortisation	334,052	118,847
Profit on sale of fixed assets	(25,674)	-
Decrease in debtors	212,270	167,303
Increase in creditors	741,188	69,723
	<u>1,186,198</u>	<u>344,912</u>
Net cash inflow from continuing operating activities	<u>1,186,198</u>	<u>344,912</u>

18 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

Group	1999 £	1998 £
Increase in cash in the period	46,931	413,011
Net cash outflow/(inflow) from financing in the period	574,591	(3,650,229)
Net cash outflow from acquisitions in the year	-	233,745
	<u>621,522</u>	<u>(3,003,473)</u>
Change in net debt resulting from cashflows	621,522	(3,003,473)
Issue of shares in the period	-	805,000
Inception of finance leases	(83,537)	-
	<u>537,985</u>	<u>(2,198,573)</u>
Movement in net debt in the period	537,985	(2,198,573)
Net debt at 1 April 1998	(2,198,473)	-
	<u>(1,660,488)</u>	<u>(2,198,573)</u>
Net debt at 31 March 1999	<u>(1,660,488)</u>	<u>(2,198,573)</u>

19 ANALYSIS OF CHANGES IN NET DEBT

Group	At 31 March 1998 £	Cash flow £	Other £	At 31 March 1999 £
Cash at bank	916,704	(79,138)	-	837,566
Bank overdraft	(126,069)	126,069	-	-
Loan notes	(367,316)	207,669	-	(159,647)
Debt	(2,477,913)	299,944	-	(2,177,969)
Hire purchase contracts	(143,879)	66,978	(83,537)	(160,438)
	<u>(2,198,473)</u>	<u>621,522</u>	<u>(83,537)</u>	<u>(1,660,488)</u>

CATALIS GROUP LIMITED (formerly The Railway College Limited) AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1999

20 CAPITAL COMMITMENTS

The company and its subsidiaries had no capital commitments at 31 March 1999 or 31 March 1998.

21 CONTINGENT LIABILITIES

Group

No provision for tax payable on the pre-acquisition profit on redemption of loan stock in Advicepart Limited by Catalis Rail Training Limited in the period ended 31 March 1998 has been included in these financial statements. The taxation of such items is the subject of complex legislation and the position has yet to be agreed with the Inland Revenue.

The anticipated maximum liability on the above profit, should it subsequently be deemed fully taxable, is estimated at £280,000. The directors consider the above profit of £905,327 to be non-taxable but any liability subsequently assessed would be subject to a counter claim.

Company

The company has entered into a guarantee and charge over its bank deposit in favour of the bank in respect of bank borrowings of its subsidiary, Catalis Rail Training Limited, which amounted to £nil at 31 March 1999 (1998: £nil).

22 PENSIONS

Defined Contribution Scheme

The group operates a defined contribution pension scheme for the benefit of those employees who are not eligible to be members of the Railways Pension Scheme. The assets of the scheme are administered by trustees in a fund independent from those of the company.

Defined Benefit Scheme

The group operates a defined benefit pension scheme for the benefit of those employees who are eligible to be members of the Railways Pension Scheme. The assets of the scheme are administered by trustees in a fund independent from those of the company.

Pension costs are assessed in accordance with the advice of a qualified actuary using the Attained Age method. The assumptions which had the most significant effect on the results of the valuation at 31 March 1997 were:

	% per annum
Investment return	8.5
Pay increases	6.5
Pension increases	4.5
Static basic pension increases	5.0

CATALIS GROUP LIMITED (formerly The Railway College Limited) AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1999

22 PENSIONS (continued)

The most recent triennial actuarial valuation was as at 1 April 1996.

The levels of contributions are decided by the Trustees of the Scheme and from 1 April 1996, the rate of contributions are as follows:

Employees	5.0%
Employers	7.5%

The Trustees have decided that these rates will apply until September 2003 and thereafter the rates will be determined for each section of the Scheme in accordance with the actuarial valuation of the section at that time and other relevant information. The valuation at 1 April 1996 assumed that the contribution rates from September 2003 would return to their previous historical levels of 9.2% for employees and 14.3% for employer.

The regular pension cost charge has been determined by the directors of the company and is also 7.5%.

During the year ended 31 March 1998, the subsidiary commissioned an updated actuarial review which was prepared on the following assumptions:

	% per annum
Investment return	9.0
Pay increases	6.0
Pension increases	4.5
Static basic pension increases	4.5

The above assumptions, which are considered by the actuary to be prudent, result in a surplus of £1,064,481 which is disclosed as a prepayment in note 9.

23 LEASING COMMITMENTS

Operating lease payments amounting to £216,603 (1998: £214,537) are due within one year. The leases to which these amounts relate expire as follows:

Group

	Land and buildings 1999 £	Other 1999 £	Land and buildings 1998 £	Other 1998 £
Between one and five years	59,500	37,103	48,948	30,089
In five years and more	120,000	-	135,500	-
	<u>179,500</u>	<u>37,103</u>	<u>184,448</u>	<u>30,089</u>

24 CONTROLLING RELATED PARTY

The directors of the company believe that this company has no controlling related party.

CATALIS GROUP LIMITED (formerly The Railway College Limited) AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1999

25 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The company is exempt from the requirements of FRS 8 to disclose transactions with its subsidiary undertakings.

At 31 March 1999, the company owed £671,573 (1998: £398,375) to its subsidiary undertaking, Catalis Rail Training Limited.

During the year to 31 March 1999, the company's subsidiary entered into transactions with Transportation Consultants International Limited, a company in which J Cohen, R Kelvin Hughes and P J J Radcliffe were directors and had interests in the share capital. The subsidiary invoiced £41,139 (1998: £3,066) to TCI in the period. At 31 March 1999, an amount of £12,742 (1998: £3,066) was outstanding.

During the year to 31 March 1999, the company's subsidiary entered into transactions with the General Practice Group Limited, a company in which R Kelvin Hughes was a director and had an interest in the share capital. The total value of transactions during the year was £734 which was in respect of legal services. This amount was outstanding at 31 March 1999.

During the year to 31 March 1999, the company's subsidiary entered into transactions with P J J Radcliffe. The total value of transactions during the year was £587, which was in respect of consultancy advice. This amount was outstanding at 31 March 1999.

The company has a loan agreement with Safeco Properties Limited in which J Cohen, R Kelvin Hughes and P J J Radcliffe are directors and have significant interests in the ordinary share capital. The balance owed by the company in respect of the above loan at 31 March 1999 was £391,369 (1998: £380,593) and interest and charges amounting to £73,925 (1998: £21,585) were incurred in the year.