

Registration Number 03603214

THE TRAINING FOUNDATION LIMITED

Directors' Report and Financial Statements

for the year ended 31 December 2001



THE TRAINING FOUNDATION LIMITED

Company Information

Directors	N J Mitchell A Snook C Steed C P Shepherd L Hobbs Boon Kheng Ong
Secretary	N Edwards
Company Number	03603214
Registered Office	Institute House Sir William Lyons Road Coventry West Midlands CV4 9EZ
Auditors	Varney Barfield and Company Limited 17 The Square Kenilworth Warwickshire CV8 1EF

THE TRAINING FOUNDATION LIMITED

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THE TRAINING FOUNDATION LIMITED

Directors' Report for the year ended 31 December 2001

The directors present their report and the financial statements for the year ended 31 December 2001.

Principal Activity

The principal activity of the company is an educational institute.

Review of the Business and Future Developments

The company continued to make substantial progress in 2001 despite it being a recessionary year for its traditional sector, information technology training. In April 2001, to enable the Company to address the generic training markets with its unique trainer-to-trainer programmes, tools and methodologies, the Company's name was changed by special resolution to The Training Foundation Limited.

During the year the company invested heavily in research and development in all three of its key product areas, classroom certification (TAP), e-Learning Professional certification (CeLP) and an innovative online authoring software tool (Lobster-online). The total expenditure written off to the profit and loss account in respect of these developments was £667,061. In the opinion of the directors, the extent of these investments, which the directors are confident will lead to a rapid and prolonged expansion in the Company's activities, makes the achievement of the reported profitability even more meritorious in a generally difficult year for the company's customer base.

The directors believe the company is well-positioned to make further advancement in 2002 and beyond.

Directors and their Interests

The directors who served during the year and their interests in the company are as stated below:

	Ordinary shares	
	2001	2000 or date of appointment
N J Mitchell	70	70
A Snook	-	-
C Steed	-	-
C P Shepherd	-	-
L Hobbs	-	-
Boon Kheng Ong	-	-

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 the affairs of the company and of the profit or loss of the company for that year. In preparing these the directors are required to:

- select suitable accounting policies and 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 TRAINING FOUNDATION LIMITED

Directors' Report for the year ended 31 December 2001

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 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.

Auditors

The directors recommend that Varney Barfield and Company Limited remain in office until further notice.

This report is prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

This report was approved by the Board on 27 November 2002 and signed on its behalf by



**N Edwards
Secretary**

THE TRAINING FOUNDATION LIMITED

Independent Auditors' Report to the Shareholders of THE TRAINING FOUNDATION LIMITED

We have audited the financial statements of THE TRAINING FOUNDATION LIMITED for the year ended 31 December 2001 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000), under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and financial statements in accordance with the applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

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 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.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement and the Operating and Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

THE TRAINING FOUNDATION LIMITED

Independent Auditors' Report to the Shareholders of THE TRAINING FOUNDATION LIMITED

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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Varney Barfield and Company Limited

Varney Barfield and Company Limited

Registered Auditors

27 November 2002

17 The Square

Kenilworth

Warwickshire

CV8 1EF

THE TRAINING FOUNDATION LIMITED

Profit and Loss Account for the year ended 31 December 2001

		2001	2000
	Notes	£	£
Turnover	2	2,435,814	2,381,113
Cost of sales		(1,454,998)	(737,195)
Gross profit		980,816	1,643,918
Administrative expenses		(518,252)	(229,457)
Operating profit	3	462,564	1,414,461
Interest receivable and similar income		15,007	6,364
Interest payable and similar charges	4	-	(848)
Profit on ordinary activities before taxation		477,571	1,419,977
Tax on profit on ordinary activities	6	(48,066)	(443,337)
Profit on ordinary activities after taxation		429,505	976,640
Dividends		-	(648,000)
Retained profit for the year		429,505	328,640
Retained profit brought forward		343,071	14,431
Retained profit carried forward		772,576	343,071
The company's turnover and expenses all relate to continuing operations.			
Statement of total recognised gains and losses			
Profit on ordinary activities after taxation		429,505	976,640
Unrealised movement on revaluation of property		233,550	-
Total recognised gains relating to the year		663,055	976,640

The notes on pages 7 to 13 form an integral part of these financial statements.


THE TRAINING FOUNDATION LIMITED

Balance Sheet as at 31 December 2001

		2001		2000	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	7		-		57,770
Tangible assets	8		1,085,359		13,587
			<u>1,085,359</u>		<u>71,357</u>
Current assets					
Stocks		24,304		17,794	
Debtors	9	413,713		838,447	
Cash at bank and in hand		897,788		224,998	
		<u>1,335,805</u>		<u>1,081,239</u>	
Creditors: amounts falling due within one year	10	(748,698)		(809,425)	
Net current assets			<u>587,107</u>		<u>271,814</u>
Total assets less current liabilities			1,672,466		343,171
Creditors: amounts falling due after more than one year	11	(657,773)			-
Provisions for liabilities and charges	12		(8,467)		-
Net assets			<u>1,006,226</u>		<u>343,171</u>
Capital and reserves					
Called up share capital	13		100		100
Revaluation reserve	14		233,550		-
Profit and loss account	14		772,576		343,071
Shareholders' funds			<u>1,006,226</u>		<u>343,171</u>

The financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000).

The financial statements were approved by the Board on 27 November 2002 and signed on its behalf by


N J Mitchell
Director

The notes on pages 7 to 13 form an integral part of these financial statements.

THE TRAINING FOUNDATION LIMITED

Notes to the Financial Statements for the year ended 31 December 2001

1. Accounting policies

1.1. Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of certain fixed assets and in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000).

1.2. Turnover

Turnover represents the total invoice value, excluding value added tax, of sales made during the year.

Turnover in respect of courses ordered by licencees is recognised in accordance with the licence terms on an invoice date basis.

1.3. Research and development

Course development costs incurred during the year have been written off to the profit and loss account. This represents a change in accounting policy from the prior years, course development costs having previously been capitalised and amortised to the profit and loss account over 4 years. In accordance with the company's revised accounting policy, the balance of unamortised course development costs as at 31 December 2000 has been written off to the profit and loss account in the year to 31 December 2001, see note 7.

1.4. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost or valuation less residual value of each asset over its expected useful life, as follows:

Leasehold properties	-	Straight Line over the life of the lease
Plant and machinery	-	4 years

1.5. Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6. Stock

Stock is valued at the lower of cost and net realisable value.

1.7. Deferred taxation

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the directors consider that a liability to taxation is unlikely to materialise.

2. Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the UK.

THE TRAINING FOUNDATION LIMITED

Notes to the Financial Statements for the year ended 31 December 2001

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3. Operating profit	2001	2000
	£	£
Operating profit is stated after charging;		
Course development costs	609,366	156,418
Depreciation and other amounts written off intangible assets	57,693	15,769
Depreciation and other amounts written off tangible assets	5,532	2,513
Auditors' remuneration	<u>6,600</u>	<u>5,300</u>
4. Interest payable and similar charges	2001	2000
	£	£
On loans and overdrafts	<u>-</u>	<u>848</u>
5. Directors' emoluments	2001	2000
	£	£
Remuneration and other benefits	<u>5,159</u>	<u>4,409</u>
6. Taxation	2001	2000
	£	£
UK current year taxation		
UK Corporation Tax	75,301	443,337
Transfer to deferred taxation	<u>8,467</u>	<u>-</u>
	83,768	443,337
Prior years		
UK Corporation Tax	<u>(35,702)</u>	<u>-</u>
	<u>48,066</u>	<u>443,337</u>

THE TRAINING FOUNDATION LIMITED

Notes to the Financial Statements for the year ended 31 December 2001

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7. Intangible fixed assets	Develop- ment Costs	Total
	£	£
At 31 December 2000		
At 31 December 2001	<u>86,100</u>	<u>86,100</u>
Provision for diminution in value		
At 31 December 2000	28,407	28,407
Charge for year	<u>57,693</u>	<u>57,693</u>
At 31 December 2001	<u>86,100</u>	<u>86,100</u>
Net book values		
At 31 December 2000	<u>57,693</u>	<u>57,693</u>

Intangible assets above relate to deferred course development costs. These costs have been written off in full to the profit and loss account in the year in accordance with the company's revised accounting policy of write off of course development costs to the profit and loss account in the year in which they are incurred.

THE TRAINING FOUNDATION LIMITED

Notes to the Financial Statements for the year ended 31 December 2001

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8. Tangible fixed assets

	Long leasehold property	Plant and machinery	Total
	£	£	£
Cost or valuation			
At 31 December 2000	-	16,225	16,225
Additions	766,450	77,304	843,754
Revaluation	233,550	-	233,550
At 31 December 2001	1,000,000	93,529	1,093,529
Depreciation			
At 31 December 2000	-	2,638	2,638
Charge for the year	-	5,532	5,532
At 31 December 2001	-	8,170	8,170
Net book values			
At 31 December 2001	1,000,000	85,359	1,085,359
At 31 December 2000	-	13,587	13,587

Long leasehold property above relates to the long leasehold of a property known as Foundation House, Milburn Hill Road, University of Warwick Science Park, Coventry, which was purchased during the year. As at July 2002 this leasehold had a value of £1,000,000, this valuation being provided for the directors by an independent firm of Chartered Surveyors, D & P Holt, 16 Warwick Row, Coventry, CV1 1EJ. In the opinion of the directors this July 2002 valuation was applicable as at 31 December 2001 and accordingly has been incorporated within the financial statements.

9. Debtors

	2001 £	2000 £
Trade debtors	245,453	633,400
Other debtors	168,260	205,047
	413,713	838,447

THE TRAINING FOUNDATION LIMITED

Notes to the Financial Statements for the year ended 31 December 2001

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10. Creditors: amounts falling due within one year	2001 £	2000 £
Trade creditors	237,372	31,546
Corporation tax	306,755	443,337
Other taxes and social security costs	-	38,511
Other creditors	204,571	296,031
	<u>748,698</u>	<u>809,425</u>

11. Creditors: amounts falling due after more than one year	2001 £	2000 £
Bank loan	<u>657,773</u>	<u>-</u>
Loans		
Repayable in five years or more	<u>543,495</u>	<u>-</u>

The bank loan is secured on assets of the company.

12 Provisions for liabilities and charges

Provisions for liabilities and charges relates to a provision for deferred taxation of £8,467 (2000:£nil). The provision relates to capital allowances given in advance of depreciation and is calculated using a corporation tax rate of 30%.

13. Share capital	2001 £	2000 £
Authorised		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

THE TRAINING FOUNDATION LIMITED

Notes to the Financial Statements for the year ended 31 December 2001

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14. Reserves

	Revaluation reserve	Profit and loss account	Total
	£	£	£
At 31 December 2000	-	343,071	343,071
Revaluation of property	233,550		233,550
Retained profit for the year		429,505	429,505
At 31 December 2001	<u>233,550</u>	<u>772,576</u>	<u>1,006,126</u>

15. Financial commitments

At 31 December 2001 the company had annual commitments under non-cancellable operating leases as follows:

	2001 £	2000 £
Expiry date:		
Between one and five years	<u>116,976</u>	<u>45,000</u>

THE TRAINING FOUNDATION LIMITED

Notes to the Financial Statements for the year ended 31 December 2001

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16. Transactions with directors

The following directors had interest free loans during the year. The movements on these loans are as follows:

	Amount Owing		Maximum
	2001	2000	in year
	£	£	£
N J Mitchell	-	-	555,280

During the year the company paid rent of £45,000 on Institute House to a director of the company, Mr N J Mitchell. During the year the company entered into various transactions with The Institute of Information Technology Training Limited, a company whose majority shareholder is Mr N J Mitchell, who is also a director and majority shareholder of The Training Foundation Limited. The Training Foundation Limited was charged £50,000 for course rights and £22,100 for fixed assets by The Institute of Information Technology Training Limited. The company also recharged to and received overhead costs from The Institute of Information Technology Training Limited. Other creditors includes £11,533 owing to The Institute of Information Technology Training Limited. During the year the company was charged £79,161 by Nestor Consulting Limited for consultancy services, a company controlled by L Hobbs, a director of The Training Foundation Limited. In the course of the year the company was charged £125,436 by Fastrak Consulting Limited for consultancy services, a company controlled by Mr C Shepherd, a director of The Training Foundation Limited. Wages and salaries includes £2,083 paid to Mrs J Mitchell, the wife of a majority shareholder, Mr N J Mitchell.

17. Controlling interest

The company is controlled by a director, Mr N J Mitchell, by virtue of his majority shareholding.

18. Post balance sheet events

Since the year end the majority shareholder as at 31 December 2001, Mr N J Mitchell, has acquired the remaining share capital of the company.