

Registered Number 3980770

Ufi Limited

Annual Report

for the period ended 31 March 2001



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Ufi Limited
Annual Report
for the period ended 31 March 2001
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Ufi Limited

Directors' report for the period ended 31 March 2001

The directors present their report and the audited financial statements of the company for the 11 month period ended 31 March 2001.

Principal activities

The company was incorporated on 19 April 2000 as Ufi Learning Services Limited, and 100 £1 ordinary shares were issued at par for cash to the subscribers. On 1 May 2000 the company acquired the trade, assets and liabilities of UFI Charitable Trust at their book value and on 26 May 2000 changed its name to Ufi Limited

The company's principal activities during the period were:

- to promote the availability of, and access to relevant high quality, innovative learning opportunities, in particular through the use of information and communications technology;
- the stimulation of demand for life long learning amongst businesses and individuals; and
- the provision of a learner information and advice service.

Review of business and future developments

During the period the company, which trades under the **learndirect** brand, has continued to build its position and consolidate developments acquired from its parent company. The learner help line service has been managed under contract from the Department for Education and Skills. The IT based learning environment has been expanded and a wide range of learning materials have been added to the portfolio, which is now over 400 courses. In addition work has continued with third parties to establish almost 1000 learning centres across England, Northern Ireland and Wales capable of delivering and supporting **learndirect** learning materials.

As planned the company commenced its full business operations in autumn 2000 and activity volumes have built up satisfactorily since then. During this start up period, the company has been funded almost entirely by the Department for Education and Skills. The directors project that the learner volumes and activity will increase through the network of learning centres and through other direct income streams, in order to reduce the proportion of income received from the Department for Education and Skills.

The company has reported a deficit on ordinary activities before taxation for the period ended 31 March 2001 of £100.

Ufi Limited

Directors and their interests

The directors who held office during the period are given below. All were appointed on 26 May 2000 except as indicated.

Sir A A Greener	(Chairman from 1 June 2000)
Lord R Dearing	(Chairman, appointed 19 April 2000, resigned 31 May 2000)
Sir D M Brown	
H A Cann	
Sir J S Daniel	(resigned 31 March 2001)
Prof R Fryer	(appointed 1 June 2000)
G F Hendrix	
Dr I A Johnston	
Prof M D O'Reilly	(appointed 1 January 2001)
A G Limb	
R A Lyons	
A McGinley	(resigned 31 December 2000)
T Mohsan	
M Salmon	
Dr S H Reynolds	(resigned 30 June 2001)
Dr A Wright	(appointed 19 April 2000)
W S H Evans	(appointed 1 July 2001)

Political and charitable donations

The company made no political or charitable donations during the period.

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of the company. Communication with all employees continues through briefings, electronic communications and regular meetings between managers and employees.

Auditors

PricewaterhouseCoopers were appointed as auditors during the period and have indicated their willingness to continue in office. A resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board

Sir A A Greener
Chairman
6 September 2001




Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the period ended 31 March 2001, that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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.

By order of the Board



Sir A A Greener
Chairman
6 September 2001

Ufi Limited

Auditors' report to the members of Ufi Limited

We have audited the financial statements on pages 5 to 18.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and 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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 at 31 March 2001 and of its deficit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Sheffield
6 September 2001

Ufi Limited

Income and expenditure account for the period ended 31 March 2001

	Note	11 months ended 31 March 2001 £
Income		
Income received	1	60,977,030
Expenditure		
Staff costs	3	6,980,551
Other operating costs:		
Commissioning		10,079,588
ICT		6,012,993
Learning centre costs		3,388,377
Learner information and advice		8,948,643
Marketing		17,575,046
Other		8,098,824
		61,084,022
Operating deficit		(106,992)
Interest receivable and similar income	5	309,698
Interest payable and similar charges	6	202,806
Deficit on ordinary activities before taxation		(100)
Taxation	7	-
Gift aid in favour of UFI Charitable Trust		142,300
Deficit after taxation transferred to reserves	15	(142,400)

All items dealt with in arriving at operating deficit above relate to continuing operations.

There is no difference between the deficit on ordinary activities before taxation and the deficit after taxation transferred to reserves stated above and their historical cost equivalents.

The company has no recognised gains and losses other than the deficit above and therefore no separate statement of total recognised gains and losses has been presented.

Ufi Limited

Balance sheet as at 31 March 2001

	Note	31 March 2001 £
Fixed assets		
Tangible assets	8	16,170,762
Current assets		
Stock	9	365,140
Debtors	10	8,967,255
Cash at bank and in hand		580,900
		9,913,295
Creditors: amounts falling due within one year	11	16,624,756
Net current liabilities		(6,711,461)
Total assets less current liabilities		9,459,301
Creditors : amounts falling due after more than one year	12	9,601,601
Net liabilities		(142,300)
Capital and reserves		
Share capital	14	100
Income and expenditure account	15	(142,400)
Shareholders funds	16	(142,300)

The financial statements on pages 5 to 18 were approved by the board of directors on 6 September 2001 and were signed on its behalf by:

Sir A A Greener
Chairman



Ufi Limited

Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important policies is set out below.

Basis of preparation

The majority of the company's income is provided by the Department for Education and Skills (DfES) via the rolling annual Funding Agreement which has been agreed to 31 March 2005. Accordingly the directors consider it is appropriate for the financial statements to be prepared on a going concern basis.

Income

Revenue from courses is recognised at the point of learner enrolment.

Department for Education and Skills contract

The company's general activities are at present financed by a contract with the DfES. Income received in respect of tangible assets is treated as deferred income, which is credited to the income and expenditure account over the estimated economic lives of the related assets.

Funding from the DfES is received on a cash basis and the financial statements are prepared on an accruals basis. At the balance sheet date any under or overpayments from the DfES arising as a consequence are shown as amounts due from or to the DfES.

Learning centre grants

Learning centre grants are charged to the income and expenditure account in the period in which they are granted.

Fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual value, on a straight line basis over their estimated economic lives. The estimated economic lives used for this purpose are:

Leasehold buildings and leasehold improvements	shorter of lease term and 50 years
Plant, machinery and equipment (excluding computer equipment)	5 years
Operating computer software and equipment	2 to 3 years
Motor vehicles	2 years

Stock

Stocks are valued at the lower of cost and net realisable value.

Ufi Limited

Leases

Leasing agreements and hire purchase contracts which transfer to the company substantially all the benefits and risks of ownership of an asset ("finance leases") are treated as if the asset had been purchased outright. Assets held under such agreements are included in fixed assets and the capital element of commitments is shown as obligations under finance leases. Payments under such agreements are treated as consisting of capital and interest elements. The interest element is charged to the income and expenditure account over the primary lease period in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

All other leases are treated as operating leases, the costs of which are charged on a straight line basis over the lease term.

Research and development

Research and development expenditure is written off in the income and expenditure account in the period in which it is incurred, with the exception of expenditure on the development of certain new learning programmes where the outcome of those projects is assessed as being reasonably certain as regards commercial viability and technical feasibility. Such expenditure is capitalised and amortised over a period not longer than five years commencing in the year sales of the product are first made.

Pensions

Retirement benefits to employees of the company are provided under the following arrangements:

- a group personal pension scheme;
- the teachers superannuation scheme (TSS); and
- contributions to personal pension plans of the employees' choice.

Contributions to the group personal pension scheme, which is a defined contribution scheme, are charged to the income and expenditure account as they become payable in accordance with the rules of the scheme.

The TSS is a defined benefit scheme which is externally funded and contracted out of the States Earnings Related Pension Scheme. Contributions to the scheme are charged to the income and expenditure account, so as to spread the cost of pensions over employees' working lives with the company in such a way that the pension cost is a substantially level percentage of future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations, using a prospective benefit valuation method.

Contributions to personal pension plans of the employee's choice are charged to the income and expenditure account as they become payable.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences, to the extent that it is probable that a liability or asset will crystallise.

Ufi Limited

Exemption from the obligations to prepare a cash flow statement

The company has taken advantage of the exemption from the obligation to prepare a cash flow statement, on the grounds that the company is a wholly owned subsidiary of UFI Charitable Trust and the results and cash flows of the company are included in the consolidated financial statements of that company.

Related party transactions

The company has taken advantage of the exemption contained in FRS 8 not to disclose transactions with its parent undertaking.

Ufi Limited

Notes to the financial statements for the period ended 31 March 2001

1 Income

	11 months ended 31 March 2001 £
Department for Education and Skills income for general activities	45,306,713
Learner information and advice management fee and related income	8,671,858
Income from learning materials	3,760,591
Capital modernisation fund income	108,280
European social fund income	1,390,706
Department for Education and Skills income for small projects	203,387
ICT costs recharged to third parties	1,308,949
Other income	226,546
	60,977,030

Income is stated exclusive of VAT and arises wholly within the United Kingdom.

2 Operating deficit

The operating deficit on ordinary activities before taxation is stated after charging/(crediting) the following:

	11 months ended 31 March 2001 £
Auditors' remuneration:	
- internal audit	29,861
- external audit	25,000
- other	147,742
Operating lease rentals - equipment and vehicles	10,982
- other	290,595
Learning centre grants	1,290,179
Depreciation	5,658,060
Amortisation of deferred income	(5,568,604)

3 Staff numbers and costs

During the period individuals have been seconded to the company from a number of different organisations. Seconded costs represent the amounts invoiced to the company by these organisations for the provision of these secondees.

	11 months ended 31 March 2001 £
Salaries	5,071,654
Social security costs	499,587
Pension costs	439,049
Other staff costs	52,132
Seconded costs	918,129
Staff costs	6,980,551

The monthly average number of permanent employees (including the Chief Executive and secondees) during the period was as follows:

	11 months ended 31 March 2001 Number
Professional	156
Administration	40
	196

4 Directors' emoluments

11 months
ended 31
March 2001
£

Aggregate emoluments	143,548
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Retirement benefits are accruing to one director under a defined benefit scheme.

5 Interest receivable and similar income

11 months
ended 31
March 2001
£

On bank deposits	309,698
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6 Interest payable and similar charges

11 months
ended 31
March 2001
£

On Department for Education and Skills funding	202,806
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7 Taxation

There is no taxation credit on the deficit for the period because tax relief is not available for certain expenditure incurred.

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8 Tangible assets

	Leasehold improvements	Computer equipment	Fixtures and fittings	Vehicles	Total
	£	£	£	£	£
Cost					
At 19 April 2000	-	-	-	-	-
Group transfer	465,315	11,486,893	190,503	-	12,142,711
Additions	862,696	8,072,910	501,799	526,609	9,964,014
Disposals	-	(6,723)	(3,405)	-	(10,128)
At 31 March 2001	1,328,011	19,553,080	688,897	526,609	22,096,597
Depreciation					
At 19 April 2000	-	-	-	-	-
Group transfer	-	234,193	37,172	-	271,365
Disposals	-	(2,398)	(1,192)	-	(3,590)
Charge for the period	54,418	5,476,562	84,284	42,796	5,658,060
At 31 March 2001	54,418	5,708,357	120,264	42,796	5,925,835
Net book amount					
At 31 March 2001	1,273,593	13,844,723	568,633	483,813	16,170,762
At 19 April 2000	-	-	-	-	-

9 Stock

	2001 £
Stocks of learning materials	365,140

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10 Debtors

	2001 £
Trade debtors	2,015,407
VAT recoverable	2,658,572
Prepayments	1,785,289
Other debtors	2,507,987
	<hr/> 8,967,255 <hr/>

Under the terms of a lease agreement for premises in Sheffield, the Department for Education and Skills has placed £518,193 in a designated bank account for the purpose of providing security against default on the lease. This rental deposit has been recorded in both other debtors (above) and creditors (note 12) and falls due after more than one year.

11 Creditors – Amounts falling due within one year

	2001 £
Trade creditors	2,946,073
Taxation and social security	174,973
Amounts owed to the Department for Education and Skills	3,619,717
Amounts owed to parent undertaking	142,300
Other creditors	44,597
Accruals	2,660,873
Deferred income (note 13)	7,036,223
	<hr/> 16,624,756 <hr/>

12 Creditors – Amounts falling due after more than one year

	2001 £
Department for Education and Skills rent deposit loan (note 10)	518,193
Deferred income (note 13)	9,083,408
	<hr/> 9,601,601 <hr/>

Ufi Limited

13 Deferred income

Deferred income represents income from the Department for Education and Skills for the purchase of fixed assets. This is credited to the income and expenditure account in accordance with the company's accounting policy:

	2001 £
Transferred from Ufi Charitable Trust at 19 April 2000	11,730,947
Income received in period	9,957,288
Amortisation	(5,568,604)
	16,119,631

Represented by:

Deferred income <1 year	7,036,223
Deferred income > 1 year	9,083,408
	16,119,631

14 Called up share capital

	Authorised	Called up Issued and fully paid
Ordinary shares of £1 each	10,000	100

On 19 April 2000, 100 £1 ordinary shares were issued to subscribers at par for cash.

15 Reserves

	Income and expenditure account £
At 19 April 2000	-
Deficit after taxation	(142,400)
At 31 March 2001	(142,400)

16 Reconciliation of movement in shareholders funds

	2001 £
Deficit for the year	(142,400)
Issue of ordinary share capital	100
Opening shareholders funds at 19 April 2000	0
Closing shareholders funds	(142,300)

17 Acquisitions

On 1 May 2000 the company acquired the trade, assets and liabilities of UFI Charitable Trust, for a consideration of £10,378. The fair value of the net assets acquired, which equated to book value, was:

	Fair value £
Tangible fixed assets	11,871,347
Debtors	2,976,187
Creditors	(14,837,156)
	10,378
Purchase consideration	10,378

18 Financial commitments

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

	Land and buildings	Other
	2001	2001
	£	£
Within one year	-	8,988
After five years	348,708	-
	348,708	8,988

19 Pension commitments**Group personal pension scheme**

Contributions are paid to the scheme and charged to the income and expenditure account as they become payable. Contributions paid by the company during the period were £344,499.

The teachers superannuation scheme

The teachers' superannuation scheme is an unfunded scheme. Contributions on a 'pay as you go' basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972.

The pension cost is assessed every five years in accordance with the advice of the government actuary using a prospective benefits valuation method. The latest actuarial valuation of the scheme was at 31 March 1996. The scheme has been invested nationally in government securities. A gross rate of interest of 8.5% per annum has been assumed as the return on the investment. The rate of increase in salaries has been assumed to be 6.5% per annum.

The value of the assets (estimated future contribution together with the proceeds from the notional investments held at the valuation date) was £61,710 million.

On the basis of the last actuarial valuation, the company contributes at a rate of 7.4% of employee salary. Contributions paid by the company during the period were £65,487.

Personal pension plans

Contributions to personal pension plans are charged to the income and expenditure account as they become payable. Contributions paid by the company during the period were £29,063.

Ufi Limited

20 Capital commitments

At 31 March 2001, amounts contracted for but not provided in the accounts total £1,375,934.

21 Contingent liabilities

The Department for Education and Skills holds a fixed and floating charge over the assets of the company.

22 Related party transactions

During the period Professor R Fryer received £12,750 in relation to consultancy services provided to the company. These transactions were on an arms length basis and no amounts remained outstanding at 31 March 2001.

23 Ultimate controlling party

The immediate controlling party is UFI Charitable Trust by virtue of its 100% shareholding in the company. The financial statements of UFI Charitable Trust and Ufi Limited can be obtained from the registered office at Dearing House, 1 Young Street, Sheffield S1 4UP.

The Board of Directors consider the members of UFI Charitable Trust to be the ultimate controlling party of the group. However, at the present time the majority of the company's income is provided by the Department for Education and Skills via the rolling annual Funding Agreement.