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Company Report 2005-2006
The year in focus

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Introduction

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The year 2005/06 has been a milestone year for Investors in People UK both because of our new product development and because of our new partnerships with other lead agencies such as UK Skills and the Sector Skills Councils.

The Investors in People Standard continues to play a unique role as the business improvement tool which makes an explicit link between people development and business success and the number of organisations working with Investors in People has grown to 60 000 (37 927 of these are fully recognised). We have also improved access to Investors in People by integrating it into Train to Gain and through our diagnostic tool. Finally we have promoted Profile which enables organisations to benchmark themselves against the best.

7 600 organisations have joined Investors in People over the past 12 months, many of whom are small businesses. This is largely due to the efforts of our partners and the Quality Centres who are playing an increasing role in our delivery. The Devolved Governments continue to use Investors in People in ways which add value to their economies.

Innovatory work continues on other important initiatives. The Healthy Organisation project in particular has made rapid and positive progress which we hope to see come to fruition in 2006/07. Our work on measures of human capital could also be very significant enabling Investors in People to reach new audiences in the financial and business communities.

This Annual Report provides the detail on what has been accomplished. It shows that we are in a strong position to face the challenges ahead.

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A personal message from Tim Melville-Ross

Chief Executive's Statement

As the outgoing Chairman of Investors in People UK, I should like to record some personal reflections on the way the Standard has evolved and Investors in People UK has developed as an organisation during an important period of its growth. The figures tell a large part of the story. From about 11 500 organisations working with the Standard in 1998 the roll call has grown now to 60 000.

This expansion is a massive tribute to the leadership shown by Ruth Spellman, as Chief Executive. The Standard is an excellent product but the speed of its take-up is due in no small part to the way Ruth has led the organisation and created effective partnerships with government departments and a myriad of other bodies to ensure that the Standard now has a central role in the skills strategy.

My own respect for the Standard has increased the longer I have been involved with it. I came across it first as a customer when I was leading the Nationwide Building Society. I was impressed by it then but since becoming Chairman of Investors in People UK I have had the chance to see more of its versatility. I am more convinced than ever that its rigour and flexibility means that it has something immensely valuable to offer to organisations of all sizes and types and at all stages of their development.

Of course, the form in which the Standard is presented and the way assessments are conducted has changed over the years. It has been reviewed twice under my Chairmanship and I take particular pleasure in the programme of reform at the start of this decade which translated the Standard into plain English and stripped out unnecessary processes. I believe that episode represented an important point in improving the accessibility of the Standard, a process whose benefits we are still seeing.

We have also seen a number of changes in the landscape around us. In England, for example, Training and Skills Enterprise Councils were replaced by Learning and Skills Councils. Again, the way the Standard has prospered despite upheaval is a tribute to its innate strengths.

The key to this, of course, is that the Standard focuses on people, what motivates them, improves their performance and how they function most effectively as part of a team. The Standard is simple, that is why it can be applied in so many different contexts. Yet it also has the ability to focus on and draw out what is best in human nature.

In addition to this, Investors in People UK as an organisation remains keenly aware of the importance of responding to its customers' demands, of being relevant and of being employer-driven. So long as it adheres to these basic principles then the Standard will continue to have an enormous amount to offer to organisations of all sizes. I should like to acknowledge the enormous qualities and generosity of my fellow Directors over the years. They have shown great loyalty and commitment to their role. I must record the pleasure of working with the staff of Investors in People UK itself and the many other organisations from public, private and voluntary sectors I have dealt with over the past six years. They have made the experience extremely varied and interesting.

As Investors in People enters its fifteenth anniversary year and I hand over the Chair to my successor Philip Williamson, Chief Executive of Nationwide, I feel considerable pleasure and satisfaction at the great progress that has been achieved. Truly we can look forward to a time when it will be the norm for organisations to be Investors in People and for eyebrows to be raised if they are not.

With best wishes to Investors in People UK for a glittering celebration of its anniversary year in 2006/07 and to an exciting future beyond,

Tim Melville-Ross
Chairman, Investors in People UK 2000-2006

2005/06 has been a year of considerable challenge and achievement. Thanks to the creative input and dedication of our Board, our sponsor the Department of Education and Skills and the whole team at Investors in People UK we have attracted another 7 600 organisations to work towards Investors in People status and carried forward our commitment to work in close partnership with the Quality Centres, the Learning and Skills Council/Business Links, Sector Skills Development Agency, individual sectors and of course with the most important stakeholder of all - employers.

Highlights of the year were the integration of Investors in People into Train to Gain, the development of our Memorandum of Understanding with the TUC, the embedding of Skills for Life into the delivery of Investors in People, our work on measures for Human Capital and taking Profile forward.

As we go into our 15th year, I hope we can make the benefits of Investors in People more apparent to customers and potential customers, widen the access to Investors in People through the skills brokers and business advisers and make the Standard and its key tools available to as wide an audience as possible at home and overseas.

We are also confident that we will be a key enabler in helping organisations to raise their game, responding to the challenge of global competition, so clearly set out in the Leitch report.

Our thanks go to everyone who is involved in Investors in People, most particularly to Sir Digby Jones who remains a stalwart Ambassador despite his recent change of role and to Tim Melville-Ross who has given us inspirational leadership and support over the past 6 years.

Ruth Spellman
Chief Executive

case study

Lyness Accountancy

Birmingham

Theme

Introducing systems to sustain excellence.

Background

- Founded in 1993, Lyness Accountancy provides accountancy services to commercial clients. It employs nine people
- First achieved Investors in People recognition in 2003 and has worked with the Work life Balance Model since 2004
- Awarded Champion Status in 2005.

Achievements

Following recognition

- All individuals are now aware of their individual targets and gain real satisfaction when these are reached
- Staff have a 'give and take' attitude and want to support their team
- Work-Life balance arrangements have enhanced Lyness' attractiveness as an employer
- The Association of Chartered Certified Accountants (ACCA) has awarded the business its prestigious Quality & Assurance Kitemark
- There are more opportunities to work with and retain top quality clients.



"We managed to recruit a much sought-after fully qualified accountant who said that our Investors in People recognition and work life balance ethos had a direct impact on his decision to join us."

Sue Lyness, Operations Director, Lyness Accountancy

The year's achievements

Broadening our customer base and retaining customer focus

- Over 7 600 organisations last year joined those who have achieved, or are working towards, Investors in People status
- We continue to work with key sector partners on delivering sector strategies in Health, Education, Retail, Local Government, Finance and Construction
- The revised Standard has now comprehensively replaced its predecessor which was finally phased out in December 2005. Meanwhile the revised version of Profile, which is based upon but extends and deepens the scope of the Standard, is now in widespread use across the delivery network
- Our 'Healthy Organisations' project funded by the Department of Health is progressing extremely well. A successful pilot of the framework that has been developed involved 56 organisations. At this stage of the project we are gathering data on the applicability and value of healthy working practices to organisations and we will use it to inform the next review of the Standard
- Skills for Life was embedded into the delivery of Investors in People in 2005/06. This involved engaging Quality Centres in championing Skills for Life with employers. We also trained Assessors and Advisers in Skills for Life awareness so they can provide advice to employers and feedback following assessments. Our Champions application process asked for examples on engagement with the Skills for Life agenda
- Organisations now receive much more comprehensive and proactive post-recognition support from Quality Centres and retention rates of recognised organisations have improved within England since May 2005. This is mirrored by successful retention activities within the Devolved Governments of Scotland, Wales and Northern Ireland.

Proving impact

- Investors in People UK has established and is leading a group of distinguished individuals representing key stakeholder groups to establish whether there are a generic set of human capital measures which would be relevant to most employers. The Human Capital Management metrics will be piloted in the summer of 2006 and this work will be influenced by the 'People to the Bottom Line' research which we are conducting with the DTI & Sector Skills Development Agency amongst others.

Increasing understanding

- 54% of employers see Investors in People as a business improvement tool. This is a 9% increase on last year
- Awareness of Investors in People has remained consistently high, ranging from 88% amongst small companies to 99% amongst organisations employing more than 1000 people
- Media interest in Investors in People has never been higher and the company is now regularly consulted for authoritative comment on business development and human resource issues. During 2005/06 there was a total of 4191 items of coverage across the national and trade print, television and radio media
- The second year of the Champions programme proved that the initiative adds value to both current and potential customers. Champions run open days, provide mentoring services, undertake speaking engagements and engage in other promotional activity to extend understanding of the Standard and its benefits. An additional 8 organisations joined the current 16 who together have delivered support to over 130 organisations of all sizes in 2005/06
- Our Ambassadors programme continues to grow. We now have a total of 90 who promote and represent Investors in People. During 2005/06 they took part in 70 activities

- A marketing campaign on the Standard and Profile to organisations with over 250 employees generated a 10.8% response rate. An online campaign generated an additional 450 requests to see an Adviser or for further information
- We held our inaugural Industry Leaders Forum where 50 business leaders from the UK's biggest organisations heard a panel discuss the current issue of human capital management. Speakers included Digby Jones of the CBI and Richard Donkin of the FT. This enabled us to show how the Standard and Profile can support organisations in achieving and maintaining competitive advantage.

Improving our delivery channels

- One of the most important developments during 2005/06 has been the strengthening and streamlining of the Investors in People delivery network. In England, Quality Centres now have the pivotal role and responsibility at each stage from generating initial interest in Investors in People through to assessment against the Standard. We welcome this as a means of simplifying our relationship with our customers and look forward to it producing significant returns
- Extensive work has been undertaken to ensure that the Quality Centres have the skills and resources to perform effectively their new wider role. Workshop events are run with Quality Centres and there has been specialist training in the use of Profile. Meanwhile, a range of new resources, including the Business Improvement Diagnostic Tool, is now available to support practitioners in their work with clients
- Investors in People UK's internal structure has been adapted to reflect the customer focused strategy. As a result, two new business development specialists have been recruited on a contract basis to support customer acquisition and retention in the key sectors of Retail and Finance.

Owning our data

- Following the changed role of Business Links and the Learning and Skills Councils, Department for Education Skills have agreed that Investors in People UK should collate and manage data relating to take up of the Standard and maintain accurate and informative data on our customers
- Large scale data cleansing project was carried out in 2005/06. The effect is that the company is now in a much stronger position to develop and maintain its relationships with committed and recognised organisations.

Consolidating our international reach

- An international strategy has been agreed by the Board this year. This has helped us to refocus our efforts on working with current licensed international partners, those we have been in negotiation with for a number of years and multi-national organisations with a presence in the UK. We have also developed our infrastructure to deliver advice and support, through the International Quality Centre (IQC).

Working successfully with our partners

- With our partners in the Sector Skills Development Agency and Sector Skills Councils, we have devised sector-specific strategies and are working to implement agreements which will help improve organisations' performance through people and skills. A number of Sector Skills Agreements now make specific reference to Investors in People including SEMTA (engineering), Construction Skills and e-skills
- Discussions with UK Skills resulted in the development of a strong working relationship. A series of joint projects have been established around the redevelopment of the National Training Awards and we have worked together on the (successful) bid to host the World Skills competition in 2011.

case study

BUPA Health Care Partnerships

Staines & Salford Quays



Theme

Profile

Background

- Private health care organisation operating as a stand-alone unit of BUPA Insurance; deals directly with healthcare providers
- Following re-organisation grew quickly in size from 50 to 250 and occupied two offices
- Was first recognised as an Investor in People in 2002; became one of the first companies to be assessed using the new Profile tool when reviewed in 2005.

Achievements

Following recognition

- Profile report provided clear indication of which areas of office integration were working well and where further progress could be made
- Coaching offered to the whole organisation (and not just senior managers as before)
- Reviewed process of measurement and reporting after training to assess its effectiveness
- Aspect of pay system was addressed by Human Resources team

"Profile gave us reassurance in many areas about what we were doing and confirmed for us where we needed to put in extra work."

Dr Natalie-Jane Macdonald, Medical and Health Care Purchasing Director

Delivery and Quality Assurance



Having reviewed our delivery network we are now in a stronger position to get closer to our customers and deliver the services they need

Revised Delivery Network

During the past year we have undertaken a major programme to re-structure the way the delivery network operates in response to wider changes in Government policy.

As a result, Quality Centres have become the focal point for accessing advice, assessment and services linked to Investors in People. They have responded enthusiastically to the new opportunities and have made progress by, for example, formulating retention strategies and building capacity to bring in new business. The result is a stronger, more accountable network that provides a sound basis for future development.

Central to a new delivery network are the co-operative links which the Quality Centres are developing with regional and national partners. These include, for example, colleges, training providers, Ufi and Sector Skills Councils. In the case of Investors in People Corporate Solutions the main relationship is with the Learning and Skills Council National Employer Service. It is important, as part of our new approach, that the opportunity is taken to connect initially with employers through every route available whether that be at the local, regional or national level. An on-line community of 'generalist' intermediaries has been created to ensure that information and up-dating is readily available to everyone who might contribute to this process. Individuals such as brokers, training advisers and consultants who are interested in knowing more about Investors in People are encouraged to register free to obtain access to a range of information support and training. During 2005/06, 1307 individuals registered.

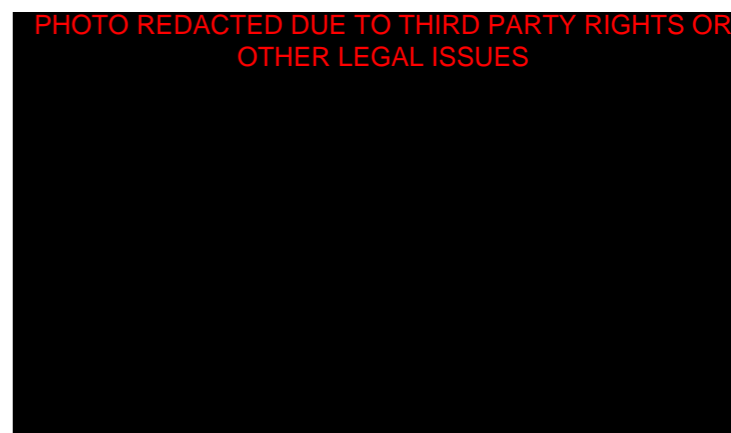
The Role of Quality Centres

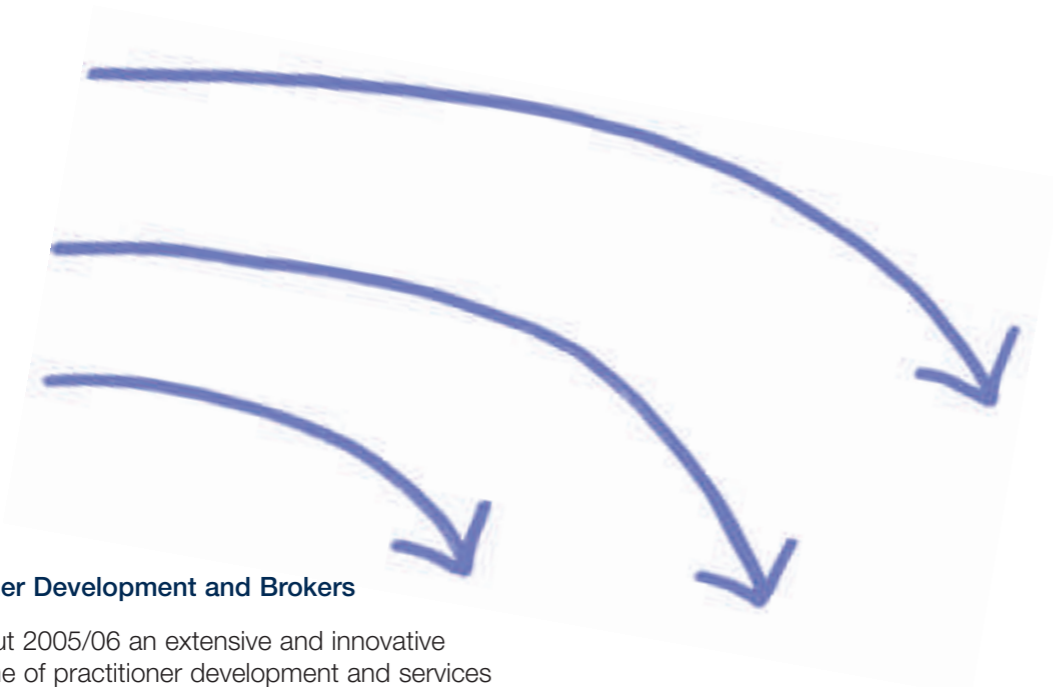
The top priority for Quality Centres is to meet customer needs and add value through an increasing range of high quality services which enable the customer to embed Investors in People in their culture.

In doing this their role includes:

- Promoting Investors in People as central to the regional workforce development agenda
- Making an active contribution to regional workforce development and skills strategies policies
- Providing assessments, recognitions and reviews of the Standard and other Investors in People products
- Registering, developing and managing the performance of Assessors, Internal Reviewers and Specialist Advisers
- Working closely with partners including Regional Development Agencies, Devolved Governments and their agencies, local Learning and Skills Councils and Business Links

Quality Centres have always had a major role to play in keeping existing customers but this changing role positions them as integral to obtaining new customers too, particularly the 250-999 size range.





Practitioner Development and Brokers

Throughout 2005/06 an extensive and innovative programme of practitioner development and services has been undertaken.

Quality Centres now employ a range of Investors in People experts and a core focus of their work has been to ensure that Practitioners are properly trained with the appropriate knowledge of the revised Standard. We have also introduced a programme of training for skills brokers who have been recruited by the Learning and Skills Council to promote Train to Gain throughout 2006/07. Investors in People has been integrated into Train to Gain and the Investors in People diagnostic can be used by skills brokers to identify the skills needed by organisations.

In order to maximise the effectiveness of the wider delivery network, a full review was undertaken of the way trainee practitioners are recruited, developed and appointed with a focus on 'what works' and the 'delivery of excellence'. Meanwhile, to support the roll-out of Profile, comprehensive training was provided for those working with the new assessment tool during the period May-December 2005.

A new range of support tools was also developed to support practitioners in the delivery of the Standard and Profile. These include the diagnostic (an online business improvement tool for the Standard), the Profile self check (a quick online check of an organisations' status against the requirements of Profile); the Profile assessment planning tool (a tool for practitioners to aid planning of a Profile assessment and enable organisation to understand the impact) and the online employee survey (a national survey to enable organisations to gain the views of individuals on how they are involved valued and recognised).

case study

Fujitsu Services

Operates Internationally

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Theme

Demonstrating Tangible Results

Background

- An IT outsourcing organisation employing 21,000 people across 20 countries in Europe
- US\$44.5 billion (£34 billion) leader in the provision of IT systems and services for the global marketplace
- First achieved Investors in People recognition in 1992 and is now working with Internal Review.

Achievements

Following recognition

- Access to major business opportunities which would otherwise be out of Fujitsu's reach
- A national award from Personnel Today (in 2005) for Innovation in Career Development
- Regular employee opinion surveys generate invaluable feedback and a positive turn-round in attitudes towards the appraisal process
- An excellent and much envied staff retention rate putting the company consistently in the upper quartile
- Increasing success in recruiting high calibre staff

"Without the Investors in People Standard, we would probably rule ourselves out of a significant number of potential Government contract bids. In terms of lost opportunity cost this would equate to business of the magnitude of several hundreds of million pounds."

Ian Williams, Head of Organisation and People Development

Development of Investors in People



Ensuring that the Standard and Profile continue to meet customers' needs requires a commitment to vigorous research and an appetite to expand the range of issues which are covered by assessment. During 2005/06 there was extensive evaluation of current performance while ground-breaking development work was undertaken on topics of immense importance to the future of Investors in People UK.

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The revised Standard

The revised Standard has now replaced its predecessor and has been widely welcomed by customers for the way that it now tests their performance more fully, especially on issues of management and leadership. Feedback from clients since the revised version was introduced in April 2005 shows that satisfaction levels with assessment are consistently in the 94% to 95% range. To a greater extent than ever before the Standard is seen as a robust and accessible business improvement tool.

The revised Profile

During 2005/06 the revised version of Profile underwent a managed roll-out. Designed as a sophisticated business improvement tool, Profile is based directly on the structure of the Standard and its three principles (Plan - Do - Review) but its assessment process goes much deeper and ranges more extensively into the way organisations operate.

Because of the originality of the Profile approach it has been important to communicate carefully and in detail the way it can be used and its implications in terms of time and costs. Great significance is attached to the preliminary meeting with customers' senior management in order to clarify their understanding of what it can offer, how it links to their priorities and the demands of assessment. Supporting Profile's roll-out was a major programme of evaluation to track the assessments and to glean client feedback. Encouragingly, this showed that over three quarters of employers said that they were very likely to use Profile in the future, while 77% of organisations

stated they were very satisfied with the way their Profile assessment had been conducted. Three out of four rated their Profile assessment report as 'very useful', and two thirds of organisations surveyed felt that Profile represented 'value for money'.

It is also clear that, as intended, the 'stretch' embodied within Profile is providing an additional incentive to ambitious organisations to remain involved with Investors in People. It has stimulated further activity around the Standard and has confirmed its potential as a business improvement tool at the highest level.

Tools

To support the uptake of the Standard, work has been undertaken on a number of new, technology-based tools and techniques. Amongst these the 'Business Improvement Diagnostic Tool' is especially important. Designed to enable organisations to work through a structured process of self analysis, based around a series of key business and human resource issues, the diagnostic tool demonstrates to users how Investors in People can contribute specifically to improving the performance of their organisation. It will be available on the Skills Broker website and on our own website amongst other places.

Work has also been proceeding on the development of a new website www.investorsinpeopledirect.co.uk which is an easily accessible source of advice and information on effective management. Following extensive research the site brings together a user friendly collection of good practice examples, articles and general comment about the management issues which inspire

the Standard and Profile. It is expected to be of considerable use to organisations that wish to boost their performance in meeting the Standard.

Healthy Organisations

With funding from the Department of Health, work continued on the development of a framework for a 'Healthy Organisation' assessment which examines best practice in the area of health and wellbeing. This has become a major area of public interest and reflects the fact that the Standard already implicitly touches extensively on health issues. An initial pilot of the proposed framework was held with 56 organisations (many of them 'blue-chip' names) and this produced encouraging results. Almost 80% of the organisations involved believed that it would be useful to include health and wellbeing into the Standard. Further piloting is planned to refine the framework with a view to its possible incorporation into the Standard following the next review.

Human Capital Management

Regular research into what people think about the Standard, Profile and possible future developments is critical to the strategic management of the Standard. To take this forward during 2005/06 there was an on-going programme of research in conjunction with organisations such as the Department of Trade & Industry, the Department for Education and Skills, the Sector Skills Development Agency, the Chartered Institute of Personnel and Development and Ufi. Underpinning this research into 'People & the Bottom Line' is a consistent focus on the extent to which there is a measurable link between investment in skills and organisations' performance. It has

become clear that the issue of Human Capital Management is starting to attract growing interest across both the financial and human resource communities. There is now a need to gain a better understanding of the people factors in business success. During 2005/06 Investors in People UK adopted a leadership role in conjunction with other key organisations, including Henderson, Deloitte, Saratoga, Penna, the Institute of Employment Studies, the Chartered Institute of Personnel and Development and the Chartered Management Institute - on a programme of work to measure systematically the impact of Human Capital Management on organisational effectiveness. This will be a major undertaking during 2006/07.

Diversity

Another important initiative has been research into how employers address issues of diversity in relation to recruitment and selection and to establish the key motivators for businesses to embrace and adopt the ethos of diversity in their workplaces. Building on this we want to establish from our customers whether there is sufficient evidence of a business case for having recruitment and selection (including diversity) in the next revisions of the Standard and Profile. We are also identifying what the barriers might be for organisations in adopting good practice in this area. We have been working with the Commission for Racial Equality, Equal Opportunities Commission, London Development Agency, and Disability Rights Commission to move these findings forward.

case study

Skipton Building Society

Operates nationwide

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Theme

Increased Competitiveness

Background

- Finance and financial services organisation operating nationwide
- Seventh largest UK building society and employs over 1,000 people in 79 branches
- First recognised as an Investor in People in 1993 and has continued to be recognised ever since.

Achievements

Following Recognition:

- The challenges of the market-place have been met and the Society has enjoyed continued success and expansion; investing in people has provided a firm base for further growth
- A revised induction programme has been developed which is clearly linked to corporate business goals and the mission statement
- A clear vision and a set of values has been developed to support the Society's business direction
- The Standard provides a highly effective means of evaluating new initiatives
- There has been an efficient use of the training budget.

"The society has gone from strength to strength and this is reflected in our impressive results. The continuous success of the society can be attributed to the skill and flexibility of its staff"

John Goodfellow, Chief Executive and Director

Our people

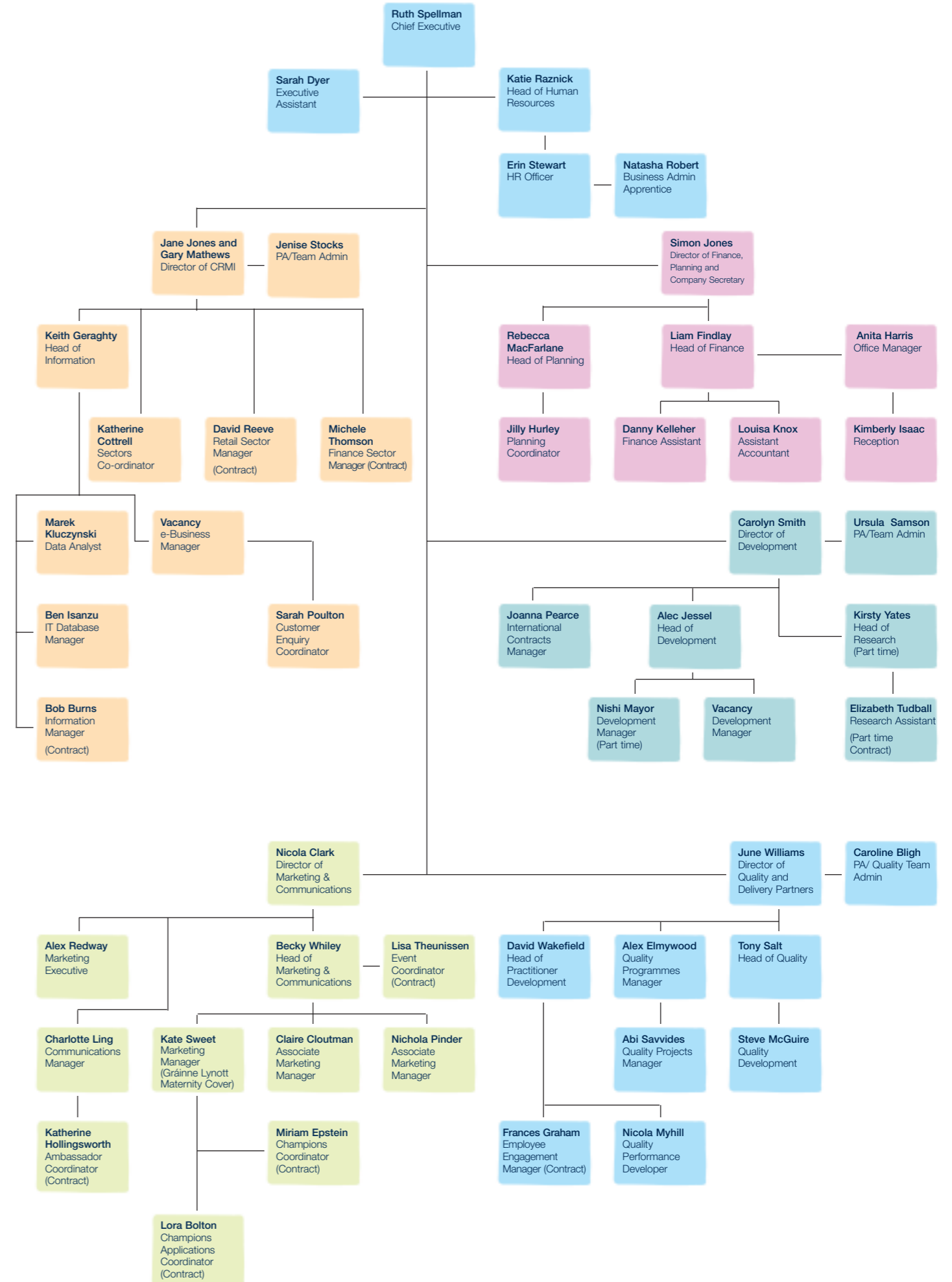


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Board of Directors

01

Tim Melville-Ross CBE
CHAIRMAN
Investors in People UK

02

Ruth Spellman
CHIEF EXECUTIVE
Investors in People

03

Peter Ayliffe
CHIEF EXECUTIVE
VISA International

04

**Dame Geraldine Keegan
DBE, FRAS**
Headmistress
St. Mary's College

05

Ed Sweeney
GENERAL SECRETARY
Amicus & Member of TUC
Executive Committee

06

Professor Robert Fryer CBE
NATIONAL DIRECTOR
for Widening Participation
in Learning
Department of Health

07

Sir Roger Spencer Jones
CHAIRMAN
Welsh Development Agency

08

Sir Nicholas Montagu KCB
FORMER CHAIRMAN
Inland Revenue

09

Hans Rissmann
CHIEF EXECUTIVE
Edinburgh International
Conference Centre Ltd

10

Sue Thomas
DIRECTOR
Redwood

11

Roger A Hoyle TD
CHAIRMAN
Greater Merseyside
Learning & Skills Council

12

Cyrus Todiwala MBE
DIRECTOR
Café Spice Ltd and
Namaste of London

13

Stephen Kingan
CHAIRMAN/CHIEF
EXECUTIVE
Nexor Ltd

14

Jennifer Ibison
NON EXECUTIVE DIRECTOR
Town & Partners

15

Garry Hawkes CBE
NON EXECUTIVE CHAIRMAN
Aramark Limited

16

Pauline Michele Rigby
DIRECTOR
Computers for Communities
Ltd

Observers

Jonathan Mackey
ASSISTANT DIRECTOR
Workplace Skills Unit

Edward Barker

DIRECTOR
INNOVATION UNIT
Department for Trade
and Industry

Financial statements

For the year ended 31 March 2006

Company information

Company registration number:
2860079

Registered office:
7-10 Chandos Street
LONDON W1G 9DQ

Directors:
T Melville-Ross CBE
R Spellman
P Ayliffe
Prof R Fryer CBE
G Hawkes CBE
R A Hoyle TD
J Ibison
Sir R Jones
Dame G Keegan DBE FRSA OBE
S Kingan
Sir N Montagu KCB
P Rigby
H H Rissmann
E Sweeney
S Thomas
C Todiwala MBE

Secretary:
S Jones

Bankers:
Yorkshire Bank PLC

Auditors:
Grant Thornton UK LLP

Registered Auditors
Chartered Accountants
2 Broadfield Court
Sheffield S8 0XF

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Report of the directors

The directors present their report together with the financial statements for the year ended 31 March 2006. The financial statements have been prepared in a form directed by the Secretary of State for Education and Employment with the consent of HM Treasury in pursuance of the Companies Act 1985.

Principal activities

The Company, which is a Non-Departmental Public Body (NDPB), is principally engaged in the development, quality assurance and promotion of the Investors in People Standard. The Company, which is limited by guarantee, was incorporated on 1 October 1993.

Management commentary

The Company's income from operations is derived from licence fees, training, publications and merchandise licensed to TSO and also our international work licensed to Quality Centres abroad. The Company also received Grant-In-Aid from the Department for Education and Skills as well as funding of £300,000 from the Department of Health to undertake a project on Healthy Organisations; this is planned to continue for the next two years. £100,000 was also received from the Department for Education and Skills for the Basic Skills initiative.

As part of the Government's Efficiency Review, Investors in People UK are committed to reducing administrative costs by at least 15% in real terms by 2007-08, measured against the 2004-05 baseline. During the year we managed to find savings of £107,000 (6.6%) and are on course to meet the 15% target for 2007-08.

As set out in the Grant in Aid letter at the start of the year the Company focused the majority of its resources on the following activities:

WORKFORCE PENETRATION

During the year the Company implemented strategies in order to target large organisations (1,000+ employees), small to medium organisations (less than 1,000 employees) and specific sectors. We also devised a retention strategy in order to prevent organisations from walking away from the Standard. To increase our workforce penetration we focused on improving understanding of Investors in People as a business improvement tool.

The positive media profile of Investors in People is key to achieving this understanding and £420,000 was spent during the year to create topical stories (many of which were research based) which resulted in 4 191 pieces of coverage. This level of media presence enabled the company to communicate positive messages about Investors in People to a quarter of large organisations and a quarter of organisations employing 250-999 people.

In addition £273,000 was spent on a large scale direct mailing campaign targeting large employers. This campaign explained the benefits of Profile and generated leads for 1 290 organisations with a total of 790 000 potential employees.

Specifically in relation to small to medium organisations the company spent £45,000 sponsoring high profile business award events for smaller employers as well as spending £103,000 on the continued development of yourpeoplemanager.com, which gave Investors in People access to more small organisations.

£417,000 was spent improving the quality of delivery throughout the Investors in People network, while £47,000 was spent researching the benefits of Investors in People in the public sector.

WORKING WITH PARTNERS

During the year the Company collaborated with UK Skills and the Department for Education and Skills on devising a rejuvenated National Training Awards. In addition we have worked together on the preparation of London's successful bid for the World Skills City in 2011. £40,000 was spent on the production of 'Connections', a magazine keeping our practitioners and partners informed on key developments with Investors in People.

MANAGEMENT INFORMATION

To ensure that there is reliable management information to inform the business development of the Company and to assess the impact of the standard we have undertaken an exercise to synchronise all data held by Investors in People UK, the Learning and Skills Council and the Quality Centres. £215,000 was spent on cleansing and synchronising this data during the year.

Financial risk

EXCHANGE RATE

The Company processes a minimal number of foreign currency transactions. Where these transactions are necessary the Company ensures that the amount invoiced or paid out is sufficient to cover any differences that may arise from the exchange rate.

LIQUIDITY

The Company is funded by the Department for Education and Skills. At the start of each year Investors in People UK is notified of the amount of Grant in Aid that we are entitled to. This is claimed on a monthly basis to fund our activities. The company has an established relationship with the Department and has regular communications with them, including reporting financial performance on a monthly basis.

Diversity and equal opportunities

The Company is committed to the active pursuit of a Diversity and Equal Opportunities Policy which addresses the need and right of everyone in the organisation to be treated with respect and dignity. As a good employer, the Company seeks to be just and equitable to all employees and the wider community.

As part of this Policy, the Company intends that no prospective or existing employee will receive less favourable treatment on any grounds of age, colour, creed, disability, ethnic origin, gender, marital or parental status, nationality, political belief, race, religion or belief, sexual orientation, or social or economic background, or any other criterion accepted as unjustifiable.

Achievement of the Company's business objectives depend on the quality of its products and services. This can best be maintained and developed by fully utilising the skills and potential of all employees. It is therefore crucial that the Company's employment climate is free from the damaging barriers of discrimination and stereotyping. The principles of this Policy cover all aspects of employment,

Report of the directors continued

from advertising vacancies, recruitment and selection, opportunities for training, transfer and promotion to terms and conditions of service and reasons for termination of employment. It also covers the Company's aims on a wider basis.

The Company believes that it is the right of every employee to be able to work in an environment free from bullying, harassment and victimisation.

In accordance with all relevant legislation, the Company will promote racial equality, sexual orientation and religion as a central part of all its activities; (e.g. planning, policy making, service delivery, regulation, inspection, enforcement and employment).

To ensure that this Policy is operating effectively the Company maintains records of employees' and applicants' racial origins, gender and disability. The information collected is treated confidentially and is processed in accordance with the provisions of the Data Protection Act 1998. This information is monitored and analysed in order that appropriate action can be taken to eliminate unlawful direct and indirect discrimination and promote equality of opportunity.

Everyone in the Company must read and comply with the provisions of this Diversity and Equal Opportunities Policy, they reflect legal requirements and ignorance of the law is no defence.

Behaviour or actions against the laws on which this Policy is based will be considered a serious disciplinary matter, and may in some cases, lead to dismissal.

Any employee who believes they have been treated in a manner which contravenes the laws and provisions of this Policy should use the Company's Grievance Procedure or Anti Bullying and Harassment Policy to pursue their complaint.

Future developments

Our remit letter was recently approved by the Department for Education and Skills and identifies the following areas as central to the role of Investors in People UK:

- Protecting the integrity of the Investors in People Standard.
- Maintaining, reviewing and developing the Standard to ensure its continued relevance through appropriate research, consultation and evaluation.
- Ensuring and monitoring the quality of the Standard.
- Developing skills and best practice within the Delivery Network.
- Promoting the Standard and providing an information service to the public.
- Developing and maintaining a central database of organisations committed to or recognised as Investors in People so that timely and accurate information can be produced.
- Licensing the Regional Quality Centres and practitioners.

Register of Directors' interests

The Register of Directors' interests is available at the company's registered offices

Directors

The directors in office during the year are listed below. All served throughout the year except where stated:

Tim Melville-Ross CBE (Chairman)
Ruth Spellman (Chief Executive)
Peter Ayliffe
Prof Robert Fryer CBE
Garry Hawkes CBE

Sir Roger Jones
Dame Geraldine Keegan DBE, FRSA, OBE
Sir Nicolas Montagu KCB
Pauline Rigby
Hans Hermann Rissmann
Ed Sweeney
Sue Thomas

The following directors stepped down during the year:

Martin Henry OBE (term expired 1 January 2006)
Hugh Try (resigned 3 February 2006)

The following directors were appointed during the year:

Roger Hoyle (appointed 1 December 2005)
Cyrus Todiwala (appointed 1 December 2005)
Stephen Kingan (appointed 1 December 2005)
Jennifer Ibison (appointed 4 February 2006)

With the exception of the Chief Executive all of the directors are members of the Company.

CURRENT REPLACEMENT COST OF THE ASSETS

The directors are of the opinion that there is no material difference between the current replacement cost and the net book amount of stock and fixed assets.

COMPANY STATUS

The Company is limited by guarantee. Under Clause 6 of the Memorandum of Association all members undertake to contribute to the Company such an amount as may be required, not exceeding £1, in the event of it being wound up during the period of membership and one year afterwards.

Directors' and Chief Executive's responsibilities for the financial statements

Company law in the United Kingdom 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 surplus or deficit of the Company 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in operation.

In so far as the directors are aware:

- there is no relevant audit information of which the company auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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.

Statement on internal control

SCOPE OF RESPONSIBILITY

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Investors in People UK's policies, aims and objectives, whilst safeguarding the public funds and assets as provided by the Department for Education and Skills for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

Investors in People UK is a company limited by guarantee and an NDPB within the Department for Education and Skills and as such is accountable to the Secretary of State for Education. The annual plan is confirmed by the Department and KPIs agreed with me. I meet with the Department to review progress, report on performance and seek advice if appropriate. The Board comprises non executives and meets regularly to review the performance of Investors in People UK against the targets set by the Department and to review business plan objectives. The Board also advises me on the management of our major risks and programmes.

Report of the directors continued

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Investors in People UK's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically. The system of internal control has been in place in Investors in People UK for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts and accords with Treasury guidance.

CAPACITY TO HANDLE RISK

The Investors in People UK Board recognises that the responsibility of risk management should be driven from the top and as a result I, together with my senior management team, have taken the lead on this.

Training has been provided to senior management in the identification, assessment and management of risk during in order to build the risk management skills and further training is planned during 2006/07.

THE RISK AND CONTROL FRAMEWORK

The risks and the controls that are in place to mitigate them have been assessed through a facilitated discussion amongst the senior management team and at the Audit Committee. The risk register has been reviewed and updated quarterly and specific actions identified for management to complete. The risk exposure has been monitored regularly throughout the year and additional controls introduced where appropriate.

Our management of risk is embedded in planning and delivery with the consideration of risks being a key consideration in the business planning process and decision making throughout the year. The management of risks is linked into the objectives of senior managers and

their effectiveness is monitored through the performance assessments.

REVIEW OF EFFECTIVENESS

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within Investors in People UK who have responsibility for the development and maintenance of the internal control framework and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Board monitors the strategic performance of Investors in People UK and the associated strategic risks. The senior management team reviews the day to day business performance of Investors in People UK, including the achievement of our business plan objectives, KPIs and the associated operational risks. The Audit Committee meets four times each year. Its purpose is to advise the Board on the discharge of its duties with regard to the Company's financial statements and the maintenance of proper financial records and controls. It is appointed by the Board.

At the end of the year the company held a cash balance of £311k. This balance exceeds by £143k the 2% excess limit on cumulative Grant in Aid recommended by the Department for Education and Skills. This position has been acknowledged by the Department for Education and Skills and going forward the Company has implemented controls to ensure that cash held is within this limit.

Investors in People UK's internal audit function was carried out through the year by PKF, a firm of accountants and business advisors, to the Government Internal Audit Standards. The work of internal audit is informed by an analysis of the risk to which the Company is exposed and the annual internal audit plans are based on this analysis. During the year I received a number of reports covering the financial, operational and governance activities of

Investors in People UK.

The annual internal audit report for 2005/06 concluded that:

"Based on the audit work carried out we have concluded that the system of internal control is satisfactory for the purposes of Investors in People UK and is operating effectively in all key areas. In particular there is clarity of direction for the organisation and there is a robust framework of financial and operational procedures. We consider that Investors in People UK has established appropriate processes to comply with the requirements of DAO letter 13/00 as clarified by the draft DAO letter of April 2003."

The report identified two areas of for concern; these related to Membership (Data Accuracy) and the International Strategy. With regards to Membership (Data Accuracy) PKF stated that at the time of their review the Company needed, and indeed were in the process of addressing, a strategic business need for robust IT infrastructure, wholly managed by Investors in People UK, as opposed to the historic arrangement of externally provided management information services, which will allow the Company to track organisations from commitment right through to recognition, with the introduction of regular data validation protocols. With regards to the International Strategy PKF concluded that the strategy required amendments in order to more effectively align with the strategic objectives of Investors in People UK.

It is noted in the report that these two specific concerns have been discussed with senior management and PKF are satisfied that good progress is being made to strengthen controls in these areas.

Disabled employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retain them and adjustments made to work and

or facilities where reasonably practicable and as appropriate in order that their employment with the Company can continue.

It is the policy of the Company that training, career development and promotion opportunities should be available to all employees.

Provision of information and consultation of employees

The Company considers good communication with its employees to be very important and communicates through regular meetings on an individual, team and company wide level, know how sessions and accessible information through the provision of shared areas.

The Company also complies with the Freedom of Information Act 2000.

Payment policy and practice

It is the Company's policy to follow the Government Departments Payment Performance Policy, in relation to the payment of its suppliers for the forthcoming year. The Company has standard payment terms of 30 days.

Auditors

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

ON BEHALF OF THE BOARD



R Spellman
Chief Executive
25th July 2006

Remuneration statement

Remuneration Committee

THE MEMBERSHIP OF THE REMUNERATION COMMITTEE FOR THE COMPANY IS AS FOLLOWS:

- Investors in People UK Chairman
- 2 Investors in People UK Board Members
- Representative from the Department for Education and Skills

THE COMMITTEE IS RESPONSIBLE FOR THE FOLLOWING:

- Ensuring that the remuneration strategy of the Company is regularly updated and enables the company to recruit, retain and motivate staff.
- Approving the remuneration strategy of the Company.
- Appointing external advisors on remuneration for directors.
- Making decisions on the director's remuneration and to advise the Audit Committee and the Board accordingly.
- To agree criteria for the Company bonus scheme.
- To ensure that bonuses are awarded in compliance with the scheme.

Senior managers' Contracts

Senior managers' contracts of employment state the terms and conditions of their role within the Company. This will include details of their remuneration package (see below).

In addition details of senior managers' probationary periods and termination of employment are disclosed. The terms for the Chief Executive and the other senior managers are the same except for the terms for termination of employment:

PROBATIONARY PERIOD

All senior managers must serve a probationary period of 6 months. This can be increased by a further 3 months if performance has not been satisfactory.

TERMINATION OF EMPLOYMENT

During the probationary period the period of notice required is 1 month from either side, for all senior management. Thereafter the period will be 3 months written notice from either side, except for the Chief Executive whose period of notice is 6 months.

Of the senior managers serving during the year all are employed on a permanent basis with no fixed date of termination, other than the Director of Strategic Planning Projects who was seconded from the Home Office in April 2005 for the period of 1 year.

Remuneration of Senior Managers

All roles across the organisation have been scored using a Job Evaluation Scoring System and put into a grading structure that has been created based upon these scores. The criteria used for evaluating all roles are:

- Skills
- Intellectual Demands
- Judgement
- Use of Resources
- Communication
- Physical Demands and Co-ordination
- Working Conditions and Emotional Demands

Employees' objectives, against which their performance will be assessed, are agreed with their line manager at the start of the year. These are based upon the organisation's objectives for the coming year as well as those specific to the employee's area of work.

Performance Reviews are held twice a year, one mid-year and the second at the end of year. Employees discuss their performance against their objectives with their line manager and a Performance Review Form is completed as a formal record of assessment. Employees are awarded a box marking from 1 to 5 based on their level of performance. These are categorised as follows:

- 1 Employees will only have partially met their objectives and will have several significant areas for development in connection with the skills and attributes required to perform their role.
- 2 Employees may have met their objectives but only inconsistently apply adequate levels of skills in relation to the requirements of their role, often demonstrating below adequate levels.

- 3 Employees will have achieved their objectives and demonstrated a proficient, well-balanced performance in line with the expectations of their role.
- 4 Employees will have achieved their objectives and consistently demonstrated good levels of skills, often over and above the requirements of their role.
- 5 Employees will have excelled in all of their objectives and regularly and consistently demonstrated outstanding levels of skills over and above the requirements of their role.

Senior managers who are awarded a box marking of 3 or above will receive a revalorised basic salary uplift of 3%. In addition they will also receive a further performance related increment dependent on their level of assessment; this will be:

- Performance level 3 = £2,000
- Performance level 4 = £2,000 to £3,000
- Performance level 5 = £4,000

Senior managers who are awarded a box marking above 3 are also entitled to a bonus of a maximum of 10% of their salary. The rationale for calculating senior managers' bonuses in 2005/06 is based upon their performance in the following areas:

- Leading (inspiring others externally/internally, developing leadership skills of self and whole team, working co-operatively with other senior managers to achieve joint targets).
- Delivering (meeting deadlines, producing high quality work, achieving milestones in the business plan).
- Contribution to senior manager meetings and networking discussions.
- Development of national and regional lead roles.

Remuneration statement continued



All senior managers are assessed by the Chief Executive who provides her recommendations for salary increases and bonuses to the Remuneration Committee for approval. The Chief Executive in turn is assessed by the Chairman who provides his recommendations to Investors in People UK's sponsor department, the Department for Education and Skills, for their approval. This approach is in line with Government policy on CEO remuneration within Non-Departmental Public Bodies.

The level of pay awarded to individuals reflects their skills and abilities exercised within the Company and is given without bias on the grounds of age, colour, creed, disability, ethnic origin, gender, marital or parental status, nationality, political belief, race, religion or belief, sexual orientation, or social or economic background. This is in accordance with the provisions of the Company's Policy on Diversity.

The remuneration of the most senior members of staff for 2005/06 was as follows:

Name	Salary, including performance pay and benefits in kind 2005/06 £	Salary, including performance pay and benefits in kind 2004/05 £
Ruth Spellman Chief Executive	100,000 - 105,000	90,000 - 95,000
Carolyn Smith Director of Development	65,000 - 70,000	60,000 - 65,000
Simon Jones Director of Finance	60,000 - 65,000	55,000 - 60,000
June Williams Director of Quality	60,000 - 65,000	55,000 - 60,000
Graeme Etheridge* Director of Strategic Planning & Projects	60,000 - 65,000	nil
Nicola Maine Director of Marketing	65,000 - 70,000	60,000 - 65,000

Details of senior managers pension contributions for 2005/06:

Name	Employer Contributions £
Ruth Spellman Chief Executive	12,500 - 15,000
Carolyn Smith Director of Development	5,000 - 7,500
Simon Jones Director of Finance	nil
June Williams Director of Quality	5,000 - 7,500
Graeme Etheridge* Director of Strategic Planning & Projects	12,500 - 15,000
Nicola Maine Director of Marketing	nil - 2,500

* Graeme Etheridge was seconded from the Home Office to act as the Director of Strategic Planning Projects during 2005/06.

The Chief Executive's total emoluments comprise salary, bonus and car allowance. The Chief Executive has a personal pension scheme. The employer's contribution to the scheme amounted to the equivalent of 12.6% of the Chief Executive's salary.

Report of the independent auditor to the members of Investors in People UK

We have audited the financial statements of Investors in People UK for the year ended 31 March 2006 which comprise the principal accounting policies, the income and expenditure account, the balance sheet, the cash flow statement and notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

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 auditor

The directors' responsibilities for preparing the annual report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors'.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether they are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Report of the Directors is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions 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 Report of the Directors. 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 opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2006 and of the result for the year then ended,
- financial statements have been properly prepared in accordance with the Companies Act 1985,
- information given in the Report of the Directors is consistent with the financial statements and
- in all material respects the grant-in-aid income has been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
SHEFFIELD
25th July 2006

The maintenance and integrity of the Investors in People UK website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Income and expenditure account

	Note	2006	2006	2005	2005
		£	£	£	£
Gross income					
Grant-In-Aid	1	5,344,451		5,017,776	
Additional grant funding		383,000		33,098	
Transfer (to)/from deferred income	12	(64,970)		67,641	
Income from operations	2	738,706		927,482	
		<u>6,401,187</u>		<u>6,045,997</u>	
			6,401,187		6,045,997
Gross expenditure					
Basic Skills		99,771		-	
Cost of sales	3	660,967		862,609	
Strategic planning of developments		217,792		209,750	
Marketing		2,094,295		1,829,194	
Development		723,907		579,830	
Staff costs	5	1,675,086		1,620,405	
Administration		855,476		875,366	
Depreciation		107,990		98,247	
		<u>6,435,284</u>		<u>6,075,401</u>	
			6,435,284		6,075,401
Operating deficit			(34,097)		(29,404)
Interest receivable			15,971		11,719
Interest repaid			(15,971)		(11,719)
Deficit before taxation			(34,097)		(29,404)
Tax charge for the year	6		(408)		(3,596)
Deficit for the year			(34,505)		(33,000)
Reversal of notional cost of capital			34,505		33,000
Retained surplus	13		-		-

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

There were no recognised gains or losses other than the result for the financial year.

Balance sheet

	Note	2006	2006	2005	2005
		£	£	£	£
Fixed assets					
Tangible fixed assets	7		166,264		223,540
Current assets					
Debtors	8	991,821		1,084,146	
Cash at bank and in hand		310,526		36,396	
		<u>1,302,347</u>		<u>1,120,542</u>	
Creditors: amounts falling due within one year	9	342,773		363,928	
Net current assets			959,574		756,614
Total assets less current liabilities			1,125,838		980,154
Creditors: amounts falling due after more than one year	10		32,625		32,625
Provision for liabilities			30,000		-
Net assets			<u>1,063,213</u>		<u>947,529</u>
Deferred income	12		1,063,213		947,529
Reserves	13		-		-
			<u>1,063,213</u>		<u>947,529</u>

The financial statements were approved by the Board of Directors on 25th July 2006.



R Spellman
Chief Executive



P Williamson
Chairman

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

Cash flow statement

	Note	2006 £	2005 £
Net cash inflow from operating activities	14	325,252	88,573
Taxation		(408)	(3,596)
Capital expenditure			
Purchase of tangible fixed assets		(50,714)	(67,712)
Net cash outflow from capital expenditure		(50,714)	(67,712)
Increase in cash	15	274,130	17,265

Principal accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and follow the recommendations issued in the Financial Reporting Manual by HM Treasury and under the historical cost method of accounting.

The principal accounting policies of the Company are set out below and have remained unchanged from the previous year.

Grant-in-Aid

The element of Grant-in-Aid relating to revenue is credited to the income and expenditure account in the year to which it relates. Any Grant-in-Aid received in respect of future periods is credited to and included within deferred income.

The element of Grant-in-Aid relating to capital expenditure is credited to a deferred income account and is released to the profit and loss account by equal annual instalments over the expected useful lives of the relevant assets.

Other income

Income from operations relates to income received from conferences, license fees, fees for advisory and assessment work, international development and licences and sales of publications and merchandise.

Income from additional funding relates to discretionary project funding received from other government bodies during the year.

Income is credited to the income and expenditure account in the year to which it relates. Any income received in respect of future periods is credited to and included within deferred income.

Operating leases

Amounts in respect of operating leases are charged to the income and expenditure account in the year in which they become payable.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided to write off the cost of fixed assets over their estimated useful economic lives on a straight line basis over the following periods:

Fixtures and fittings	5 years
Office equipment	4 years
Computer systems	4 years

Computer software

Expenditure on computer software is either capitalised as fixed assets or written off in the period in which it is incurred depending on the nature of the specific item.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Contributions to pension fund

The pension costs charged represent the amount of contributions payable to employees' personal pension schemes in respect of the accounting period.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of transaction. Exchange differences are dealt with through the income and expenditure account.

Cost of capital

A notional cost of capital is charged to administration costs in the income and expenditure account based on the average capital employed. The charge is then credited to the income and expenditure account after the deficit for the year.

Notes to the financial statements

1 Grant-in-Aid

	2006	2005
	£	£
Grant-in-Aid	5,395,165	5,085,488
Allocated to fixed assets - deferred income (note 12)	(50,714)	(67,712)
Transfer to income and expenditure account	5,344,451	5,017,776

2 Income from operations

INCOME FROM OPERATIONS IS CATEGORISED AS FOLLOWS:

	2006	2005
	£	£
Conferences	52,029	58,079
Income from licensing and training	341,207	375,201
Income from publications licence	230,000	230,000
Income from international licence	114,720	23,191
Income from champions recharge	750	55
Income from royalties	-	6,939
South Africa project	-	234,017
	738,706	927,482

An analysis of turnover by geographical markets is given below:

	2006	2005
	£	£
United Kingdom	738,706	693,465
Europe	-	234,017
	738,706	927,482

3 Cost of sales

COST OF SALES ATTRIBUTABLE TO OPERATIONS:

	2006	2005
	£	£
Conferences	39,884	71,004
Quality assurance	505,959	348,757
International sources	114,859	434,502
Royalties	265	8,346
	660,967	862,609

4 Operating deficit before taxation

THE OPERATING DEFICIT BEFORE TAXATION IS STATED AFTER CHARGING:	2006	2005
	£	£
Depreciation, owned assets	107,990	98,248
Auditor's remuneration		
Internal audit	30,024	19,595
External audit		
- audit services	8,000	7,650
- non audit services	250	900
Operating lease rentals	221,700	221,552

5 Directors and employees

STAFF COSTS DURING THE YEAR WERE AS FOLLOWS:

	2006	2005
	£	£
Wages and salaries	1,366,127	1,347,003
Social security costs	160,022	143,753
Other pension costs (note 19)	69,315	52,533
Seconded, loaned and temporary staff	75,653	77,116
Group life assurance premiums	3,969	-
	1,675,086	1,620,405

THE AVERAGE NUMBER OF EMPLOYEES IN THE COMPANY DURING THE YEAR WAS 40 (2005: 41) INCLUDING SECONDED CIVIL SERVANTS:

	2006	2005
	Number	Number
Directors	5	6
Permanent employees	33	30
Temporary employees	1	5
Secondments	1	-
	40	41

The only statutory director in the year to receive remuneration from the Company was the Chief Executive whose salary information is included in the remuneration statement.

Notes to the financial statements

6 Taxation

(A) ANALYSIS OF CHARGE IN THE PERIOD

The tax charge is based on the bank interest received in the year and represents:

	2006	2005
	£	£
Under/(over) provision for the prior year	(2,092)	1,096
UK corporation tax based on the bank interest received in the year at 19% (2005: 19%)	2,500	2,500
	408	3,596

(B) FACTORS AFFECTING CURRENT TAX CHARGE

The tax assessed on the bank interest received in the year is higher than the standard rate of corporation tax in the UK of 19%

	2006	2005
	£	£
Interest received (nil as all is repaid)	-	-
Interest received by rate of tax	-	-
Excess provision (although interest is repaid, it remains liable for taxation)	2,500	2,500
Adjustments in respect of prior period	(2,092)	1,096
	408	3,596

7 Tangible Fixed assets

	Fixtures, fittings and equipment	Computer systems	Total
	£	£	£
Cost			
At 1 April 2005	212,947	209,949	422,896
Additions	7,059	43,655	50,714
Disposals	(5,951)	(104,344)	(110,295)
At 31 March 2006	214,055	149,260	363,315
Depreciation			
At 1 April 2005	81,191	118,165	199,356
Provided in the year	44,673	63,317	107,990
Eliminated on disposal	(5,951)	(104,344)	(110,295)
At 31 March 2006	119,913	77,138	197,051
Net book amount at 31 March 2006	94,142	72,122	166,264
Net book amount at 31 March 2005	131,756	91,784	223,540

8 Debtors

	2006	2005
	£	£
Trade debtors	330,973	464,529
Other debtors	315,335	195,940
Prepayments and accrued income	345,513	423,677
	991,821	1,084,146

9 Creditors: amounts falling due within one year

	2006	2005
	£	£
Trade creditors	184,846	244,109
Corporation tax	2,500	2,500
Other creditors	15,892	6,375
Accruals and deferred income	138,414	110,944
Other taxation and social security	1,121	-
	342,773	363,928

10 Creditors: amounts falling due after more than one year

	2006	2005
	£	£
Other creditors - international licence	32,625	32,625
The current international licence with Exemplas runs for 3 years to March 2007.		
Other creditors repayable after 5 years comprise:	2006	2005
	£	£
Other creditors - international licence	6,750	6,750

Notes to the financial statements

11 Provision for liabilities

	At 1 April 2005	Movement in the year	At 31 March 2006
	£	£	£
Provision for legal fees	-	30,000	30,000

The Company has involved its solicitors in a potential claim to be made against it. The Company believes that it will not be held liable but believes some legal costs may be payable and has duly provided for them.

12 Deferred income

	Fixed assets	Other current assets	Long term liabilities	Total
	£	£	£	£
At 1 April 2005	223,540	756,614	(32,625)	947,529
Allocated from Grant in Aid (note 1)	50,714	-	-	50,714
Transfer (to)/from income and expenditure account	(107,990)	172,960	-	64,970
At 31 March 2006	166,264	929,574	(32,625)	1,063,213

13 Reserves

	Accumulated fund
	£
At 1 April 2005	-
Retained surplus for the year	-
At 31 March 2006	-

Clause 4 of the Memorandum of Association of the Company requires that the income of the Company be applied solely towards the promotion of the objectives of the Company and prohibits its distribution directly or indirectly, by way of a dividend, bonus or otherwise by way of profit to the members of the Company.

14 Net cash inflow from operating activities

	2006	2005
	£	£
Operating deficit	(34,097)	(29,404)
Notional cost of capital	34,505	33,000
	408	3,596
Depreciation	107,990	98,248
Net grant transferred from income and expenditure	115,684	71
Decrease in debtors	92,325	547,102
Increase/(decrease) in creditors	8,845	(560,444)
Net cash inflow from operating activities	325,252	88,573

15 Reconciliation of net cash flow to movement in net funds

	2006	2005
	£	£
Increase in cash in the year	274,130	17,265
Net funds at 1 April	36,396	19,131
Net funds at 31 March	310,526	36,396

16 Analysis of changes in net funds

	At 1 April 2005	Cash flow	At 31 March 2006
	£	£	£
Cash at bank and in hand	36,396	274,130	310,526

17 Capital commitments

The Company had no capital commitments at 31 March 2006 or 31 March 2005.

18 Contingent liabilities

The Company has no contingent liabilities at 31 March 2006 or 31 March 2005. See note 11 for details of provisions made.

Notes to the financial statements

19 Pension contributions

The Company makes contributions to employees' personal pension schemes. The benefit is available to all employees.

20 Insurance

Under the terms of the financial memorandum, with the exception of third party insurance required by the Road Traffic Acts and any other which are statutory obligations, the Company follows the usual rules for public bodies of non-insurance.

The Company is indemnified by the Department for Education and Skills in respect of the Employer's Liability insurance.

21 Financial derivatives

The Company had no financial derivatives at 31 March 2006 or 31 March 2005.

22 Leasing obligations

Operating lease payments amounting to £221,700 (2005: £220,148) are due within one year. The leases to which these amounts relate expire as follows:

	2006		2005	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Between one and five years	215,000	6,700	215,000	5,148

23 Liabilities of members

Under Clause 6 of the Memorandum of Association all members undertake to contribute to the assets of the Company such an amount as may be required, not exceeding £1, in the event of it being wound up during the period of membership and within one year afterwards.

24 Transactions with related parties

The Company provided services to, or received services from, companies with which the following directors were connected during the year ended 31 March 2006.

Sue Thomas, Non-Executive director of Redwood who has a connection with Fishburn Hedges who are Investors in People UK's PR agency. The total value of work undertaken by Fishburn Hedges amounted to £529,751 (2005: £443,392) for services provided and incidental costs. At the year end there was a balance owing to Fishburn Hedges of £35,250 (2005: £nil).

Tim Melville-Ross, Chairman of DTZ who advised Investors in People UK on property matters. The total value of work undertaken by DTZ amounted to £nil (2005: £14,173). There were no balances owing to DTZ at 31 March 2006 or at 31 March 2005.

Hans Rissman, Chair of Investors in People Scotland.

Various expenses were charged by Investors in People Scotland to Investors in People UK totalling £33,878 (2005: £22,207). At the year end there was a balance owing to Investors in People Scotland of £8,552 (2005: £nil). Investors in People UK charged out costs for various activities including royalty licence fees totalling £39,178 (2005: £nil). At the year end there was a balance owed by Investors in People Scotland of £1,544 (2005: £nil).

Martin Henry OBE, Non-Executive director of Centre for Enterprise who are a business and management consultancy. The total value of work undertaken by Centre of Enterprise amounted to £27,742 (2005: £nil). There were no balances owing to Centre for Enterprise at 31 March 2006 or at 31 March 2005. Investors in People UK charged out costs for various activities including facilitator costs for a total of £3,701 (2005: £nil). There were no balances owed by Centre for Enterprise at 31 March 2006 or at 31 March 2005.

The Company had outstanding balances with the following central government departments at the year end of 31 March 2006:

Included in accrued income was a balance of £279,000 (2005: £279,901) for Grant-in-Aid from the Department for Education and Skills.

Included in accrued expenditure was a balance of £15,971 (2005: £nil) for interest due to the Department for Education and Skills.

Included in trade debtors was a balance of £70,000 (2005: £nil) for a contribution to research with the Institute for Employment Studies from the Department for Trade and Industry.

Included in trade debtors was a balance of £17,625 (2005: £nil) for a contribution towards the Healthy Organisations project from the Department for Work and Pensions.

The Company had an outstanding debtor of £nil (2005: £15,000) from the Learning and Skills Council.

25 Performance targets

The Company has achieved its financial performance target set by the sponsor team. This target was to break even for the year.

Investors in People: The next year

As it approaches its fifteenth anniversary, Investors in People continues to be acknowledged on all sides, by the Government, by social partners at the TUC and CBI and by thousands of individual employers, to be a vital measure of business effectiveness. The Standard plays a central role within the national skills strategy and supports workforce development so as to improve the productivity of UK based organisations.

The focus of Investors in People UK's activities during 2006/07 will be to attract new and retain existing customers. To achieve this the organisation will continue the process of strengthening the delivery network and become ever closer and more responsive to organisations using the Standard. Activities will be focused specifically on developing and implementing distinct engagement strategies for organisations with 1000+ employees, for organisations with 250-999 employees and for our key delivery partners and their needs. We are also developing our five year vision and plan which will be agreed with the Department for Education and Skills this autumn. This will help to raise our sights and reconfirm the importance of people issues in our economic success.

Our immediate priorities

We have established 5 priorities for 2006/07 as central to the achievement of our principal goal of increasing productivity of the UK through people development.

1 To engage new organisations with Investors in People

2006/07 will be focused on developing and implementing three distinct engagement strategies focusing on;

- organisations with 1000+ employees,
- organisations with 250-999 employees and
- key sectors and their needs.

For 1000+ employers, we will develop a central customer engagement unit at Investors in People UK which will recruit and track new national business leads and work in partnership with Investors in People Corporate Solutions to convert these into commitments and recognitions.

Our 250-999 employer strategy will focus on developing the services customers will continue to receive regionally. It will particularly focus on positioning the Quality Centres as our primary delivery partner as their role expands and becomes more focused on "sales" and engagement.

We will also develop the capacity to support the network in converting 'leads' from marketing campaigns and we will develop first hand

knowledge of our customers' issues and needs by engaging with them in a much more direct way. We will also further develop the Diagnostic and Investors in People Direct to meet the diverse needs of our customers.

A key issue going forward is that we will not have enough resources in the future to promote the Standard effectively. The Learning and Skills Council spend on Investors in People has reduced from £38m in 2005/06 to £8m in 2006/07. Our participation in Train to Gain will help to address this.

2 To retain existing organisations

Given the backdrop of our changing delivery network, we must equip ourselves with better knowledge of what the customer journey looks like so we know what our customers expect from us and our delivery network. We will research the customer journey in 2006/07 to gauge satisfaction levels and establish what is working or missing from the current customer experience and we will then work to address those gaps with our partners.

Meanwhile we must take the initiative now to improve customer service. We must ensure that in the short term our customers are clear about where they can access Investors in People services.

We must ensure that our tools and products are attractive and supported appropriately so that they help customers realise the benefit of continuing their engagement with Investors in People. We will develop further tools for our customers and practitioners and conduct research into the value of assessment and recognition.

3 To address the gaps in our delivery

We will continue our discussions with all Quality Centres to develop a jointly owned vision to lay the foundations for a new relationship and their expanded remit as 'Centres of Excellence'. This will help ensure that current and existing customers receive a consistent, value-adding experience when engaging with Quality Centres.

We will also work to get closer to our sales force and will engage practitioners to share information in a more open,

two-way style so that we can benefit from their knowledge of our customers. This will enable us to ensure they offer a more holistic package which will deliver added value to customers.

We will work to diversify our practitioner network so that our customers can benefit from a wider range of experiences and backgrounds and so that we can offer more value to customers and thus engage and retain them.

4 To prove and promote the value of using Investors in People

We will undertake specific research to investigate how Investors in People improves organisational performance through deployment of skills, which will help us raise understanding of the benefits of the Standard.

We will use marketing campaigns and materials, ROI/impact studies, sector based case studies, PR campaigns and other communication tools to promote understanding of the value of Investors in People. Our work on 'People to the Bottom Line' and the development in human capital management will all help to reinforce our message that investing in peoples pays.

We work with our partners to show how Investors in People can support our mutual agendas. This will help us link to other agendas outside of skills so that we can begin to lend greater influence to strategies to improve the productivity of the UK.

5 To improve our ability to measure and monitor performance

With our Quality Centre partners we will continue to clean and verify our data and will establish processes and procedures, to ensure the data is kept clean in the future. We will also build a new CRM solution to ensure that we are using the information we have about our customers' experiences to inform our activities and strategies in the future.

Our Quality Centres



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