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**INTEGRATED SERVICES PROGRAMME
LIMITED BY GUARANTEE
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31ST AUGUST 2002**

Company Registered Number: 2820208



INTEGRATED SERVICES PROGRAMME LIMITED BY GUARANTEE

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31ST AUGUST 2002

CONTENTS	Page
Directors' report	1
Auditors' report	2
Profit and loss account	3
Balance sheet	4
Cash flow statement	5
Notes to financial statements	6 – 12

INTEGRATED SERVICES PROGRAMME LIMITED BY GUARANTEE

DIRECTORS' REPORT

YEAR ENDED 31ST AUGUST 2002

The directors present their annual report and the audited financial statements for the year ended 31st August 2002.

PRINCIPAL ACTIVITIES

The principal activities of the company during the year were that of the provision of fostering, education, therapy and other services to children looked after by local authorities.

REVIEW OF BUSINESS

As a not for profit organisation the company is not permitted to distribute surpluses. As in previous years any surpluses generated will be used to fund improvements in services.

The surplus before tax generated for the year was £583,084 (2001: £248,020) on turnover of £10,681,150 (2001: £9,491,158).

DIRECTORS

The directors who held office during the year were as follows:

S Field (Chairman)
I G Butler
C E M Cairns
J H Whitwell
B G Bishop (appointed 9.5.02)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

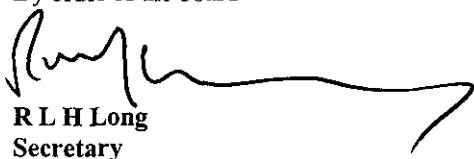
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare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

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

AUDITORS

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of haysmacintyre as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board


R L H Long
Secretary

Church Street
Sittingbourne
Kent
ME10 3EG

21st November 2002

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
INTEGRATED SERVICES PROGRAMME LIMITED BY GUARANTEE**

We have audited the financial statements of Integrated Services Programme Limited By Guarantee for the year ended 31st August 2002 which comprise the Profit and Loss Account, the Balance Sheet, the cash flow statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

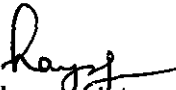
Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st August 2002 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


haysmacintyre
Chartered Accountants
Registered Auditors

Southampton House
317 High Holborn
London
WC1V 7NL

21st November 2002

INTEGRATED SERVICES PROGRAMME LIMITED BY GUARANTEE

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST AUGUST 2002

	Note	2002 £	2001 £
TURNOVER	2	10,681,150	9,491,158
EXPENDITURE			
Foster Care		3,546,978	2,871,812
Respite & Holiday Allowance		206,310	165,589
Social Work Services and Contact Support		1,646,627	1,623,703
Education		1,758,979	1,838,017
Therapy		477,719	405,852
Transport and Escorts		443,573	527,243
Property and Equipment		716,185	697,466
Training, Research and Development		103,449	102,100
Management Administration and Finance		1,177,351	1,005,220
		<u>(10,077,171)</u>	<u>(9,237,002)</u>
OPERATING SURPLUS		603,979	254,156
Interest receivable and other income	6	12,501	12,292
Interest payable	7	<u>(33,396)</u>	<u>(18,428)</u>
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	583,084	248,020
Tax on surplus on ordinary activities	8	<u>(201,740)</u>	<u>(47,374)</u>
SURPLUS FOR THE FINANCIAL YEAR	13	<u>£381,344</u>	<u>£200,646</u>

There were no acquisitions or discontinued operations within the company during the year or the previous year.

The company has no recognised gains or losses in the year other than the surplus for the year.

No note of historical cost profit or loss is given as there are no differences between the results as set out in the profit and loss account and their historical cost equivalents.

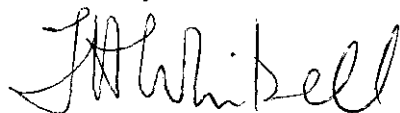
INTEGRATED SERVICES PROGRAMME LIMITED BY GUARANTEE

BALANCE SHEET

AT 31ST AUGUST 2002

	Note	2002		2001	
		£	£	£	£
FIXED ASSETS					
Tangible assets	9		5,263,683		5,464,062
CURRENT ASSETS					
Debtors:	10				
amounts falling due within one year		1,445,285		1,378,743	
amounts falling due after one year		218,450		205,319	
		<u>1,663,735</u>		<u>1,584,062</u>	
Cash at bank and in hand		1,456,771		628,414	
		<u>3,120,506</u>		<u>2,212,476</u>	
CREDITORS: amounts falling due within one year	11	<u>(2,295,267)</u>		<u>(1,792,880)</u>	
NET CURRENT ASSETS			<u>825,239</u>		<u>419,596</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>6,088,922</u>		<u>5,883,658</u>
CREDITORS: Amounts falling due after more than one year	12		<u>(526,022)</u>		<u>(702,102)</u>
NET ASSETS			<u><u>£5,562,900</u></u>		<u><u>£5,181,556</u></u>
TOTAL RESERVES	13		<u><u>£5,562,900</u></u>		<u><u>£5,181,556</u></u>

These financial statements were approved by the board of directors on the 21st November 2002 and were signed on its behalf by:



J.H. Whitwell
Director

INTEGRATED SERVICES PROGRAMME LIMITED BY GUARANTEE

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST AUGUST 2002

	Note	2002 £	2001 £
Reconciliation of operating surplus to net cash flow from operating activities			
Operating surplus		603,979	254,156
Depreciation charges		348,049	300,738
Loss/(Profit) on disposal of fixed assets		16,445	(35,042)
Increase in debtors		(79,673)	(492,483)
Increase in creditors		328,996	298,465
Net cash inflow from operating activities		£1,217,796	£325,834
Cash flow statement			
Cash flow from operating activities		1,217,796	325,834
Return on investments and servicing of finance	14	(24,451)	(6,136)
Taxation		(51,740)	(236,897)
Capital expenditure	14	(99,171)	(286,233)
Financing	14	(214,077)	568,044
Increase in cash		£828,357	£364,612
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the year		828,357	364,612
Cash (outflow)/inflow from decrease in debt		214,077	(568,044)
Change in net funds	15	1,042,434	(203,432)
Net funds at beginning of year		(163,850)	39,582
Net funds at end of year	15	£878,584	£(163,850)

INTEGRATED SERVICES PROGRAMME LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST AUGUST 2002

1. ACCOUNTING POLICIES

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

Basis of preparation

The financial statements have been prepared, on the going concern basis, in accordance with applicable accounting standards and under the historical cost accounting rules.

Fixed assets and depreciation

Fixed assets are stated at cost.

Depreciation is provided by the company at rates calculated to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	- straight line over 50 years
Fixtures, fittings & equipment	- at the rate of 25% per annum on the reducing balance
Plant and machinery	- at the rate of 25% per annum on the reducing balance
Property improvements	- straight line over 50 years
Motor vehicles	- at the rate of 25% per annum on the reducing balance
Motor vehicles held under finance leases	- over the lease term

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

Taxation

Deferred tax is provided using the full provision method. Deferred tax is recognised in respect of all material timing differences which have originated but not reversed at the balance sheet date. It is the company's policy not to discount deferred tax to reflect the time value of money.

The adoption of FRS 19 has resulted in a change in the deferred taxation accounting policy. Before 2002, the company provided for deferred tax using the liability method under SSAP 15. The change in accounting policy has not necessitated a prior year adjustment.

Turnover

Turnover represents the value of sales invoiced.

Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

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

2. TURNOVER

The total turnover of the company for the year has been derived from its principal activities wholly undertaken in the United Kingdom.

INTEGRATED SERVICES PROGRAMME LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST AUGUST 2002

3. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION	2002 £	2001 £
Surplus on ordinary activities before taxation is stated after charging/(crediting)		
Auditors' remuneration	9,770	9,000
Depreciation	348,049	300,738
Loss/(profit) on disposal of fixed assets	16,446	(35,042)
Research	5,299	51,621
Operating lease rentals:		
Land and buildings	13,233	13,300
Other	6,024	21,787
	<u> </u>	<u> </u>

4. REMUNERATION OF DIRECTORS

Directors' emoluments:		
Emoluments for qualifying services	97,141	178,212
Directors fees	82,014	73,307
Pension contributions	7,456	29,607
	<u> </u>	<u> </u>
	<u>£186,611</u>	<u>£281,126</u>

The number of directors for whom benefits are accruing under the defined contribution pension scheme is 1 (2001: 1).

5. STAFF NUMBERS AND COSTS

The average number of persons employed by the company (including directors) during the year was 152 (2001: 160).

The aggregate payroll costs of these persons were as follows:

	2002 £	2001 £
Wages and salaries	3,355,715	3,318,058
Social security costs	314,744	335,207
Other pension costs	167,124	197,962
	<u> </u>	<u> </u>
	<u>£3,837,583</u>	<u>£3,851,227</u>

6. INTEREST RECEIVABLE AND OTHER INCOME

Bank interest	48	1,344
Other income	12,453	10,948
	<u> </u>	<u> </u>
	<u>£12,501</u>	<u>£12,292</u>

INTEGRATED SERVICES PROGRAMME LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST AUGUST 2002

7. INTEREST PAYABLE	2002 £	2001 £
Interest payable:		
On bank loans wholly repayable within 5 years	21,856	16,963
Under finance lease agreements	11,540	1,465
	<u>£33,396</u>	<u>£18,428</u>

8. TAXATION		
UK corporation tax at 30% (2001: 20%) on the profit for the year on ordinary activities	200,000	50,000
UK corporation tax at 20% in respect of prior year	1,740	(2,626)
	<u>201,740</u>	<u>£47,374</u>

9. TANGIBLE FIXED ASSETS

COST	Land and buildings freehold £	Improvements to freehold buildings £	Plant and machinery £	Fixtures, Fittings and Equipment £	Motor Vehicles £	Total £
At 1st September 2001	1,934,317	2,858,914	702,022	404,336	663,266	6,562,855
Additions	-	83,056	40,246	-	101,372	224,674
Disposals	-	-	(1,356)	(13,967)	(161,413)	(176,736)
At 31st August 2002	<u>1,934,317</u>	<u>2,941,970</u>	<u>740,912</u>	<u>390,369</u>	<u>603,225</u>	<u>6,610,793</u>
DEPRECIATION						
At 1st September 2001	96,647	133,736	381,001	232,493	254,916	1,098,793
Charge for year	25,602	58,088	90,961	47,912	125,486	348,049
On disposals	-	-	(760)	(12,790)	(86,182)	(99,732)
At 31st August 2002	<u>122,249</u>	<u>191,824</u>	<u>417,202</u>	<u>267,615</u>	<u>294,220</u>	<u>1,347,110</u>
NET BOOK VALUE						
At 31st August 2002	<u>£1,812,068</u>	<u>£2,750,146</u>	<u>£269,710</u>	<u>£122,754</u>	<u>£309,005</u>	<u>£5,263,683</u>
At 31st August 2001	<u>£1,837,670</u>	<u>£2,725,178</u>	<u>£321,021</u>	<u>£171,843</u>	<u>£408,350</u>	<u>£5,464,062</u>

Included within motor vehicles are assets bought under finance leases with cost of £161,984 (2001: £97,040) and net book value of £99,903 (2001: £88,953).

INTEGRATED SERVICES PROGRAMME LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST AUGUST 2002

10. DEBTORS	2002 £	2001 £
Trade debtors	1,132,780	1,196,448
Other debtors	365,049	337,636
Prepayments	165,906	49,978
	<u>£1,663,735</u>	<u>£1,584,062</u>
Amounts falling due after more than one year included above are:		
Other debtors	<u>£218,450</u>	<u>£205,319</u>
11. CREDITORS: Amounts falling due within one year		
Bank loans	160,000	160,000
Trade creditors	403,995	139,102
Corporation tax	200,000	50,000
Other taxes and social security costs	519,584	493,108
Other creditors	22,784	7,171
Obligations under finance leases	54,149	27,202
Accruals and deferred income	934,755	916,297
	<u>£2,295,267</u>	<u>£1,792,880</u>
12. CREDITORS: Amounts falling due after more than one year		
Bank loans	480,000	640,000
Obligations under finance leases	46,022	62,102
	<u>£526,022</u>	<u>£702,102</u>
Analysis of loans		
Wholly repayable within five years	<u>£640,000</u>	<u>£800,000</u>
Included in current liabilities	<u>£160,000</u>	<u>£160,000</u>
13. RECONCILIATION OF MOVEMENTS IN RESERVES		
Opening reserves	5,181,556	4,980,910
Surplus for financial year	381,344	200,646
Closing reserves	<u>£5,562,900</u>	<u>£5,181,556</u>

INTEGRATED SERVICES PROGRAMME LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST AUGUST 2002

14. GROSS CASH FLOWS

	2002	2001
	£	£
Returns on investments and servicing of finance		
Interest received	12,501	12,292
Interest paid on bank loans	(25,412)	(16,963)
Interest element on finance lease rental payment	(11,540)	(1,465)
	<u>£(24,451)</u>	<u>£(6,136)</u>
 Capital expenditure		
Payments to acquire tangible fixed assets	(159,730)	(685,113)
Receipts from sales of tangible fixed assets	60,559	398,880
	<u>£(99,171)</u>	<u>£(286,233)</u>
 Financing		
New bank loan	-	800,000
Repayment of long term bank loan	(160,000)	(224,220)
Capital element of finance leases	(54,077)	(7,736)
	<u>£(214,077)</u>	<u>£568,044</u>

15. ANALYSIS OF CHANGE IN NET FUNDS

	At		At
	1st September		31st August
	2001	Cashflows	2002
	£	£	£
Cash in hand and at bank	628,414	828,357	1,456,771
Bank loan	(800,000)	160,000	(640,000)
Finance leases	7,736	54,077	61,813
	<u>£(163,850)</u>	<u>£1,042,434</u>	<u>£878,584</u>

INTEGRATED SERVICES PROGRAMME LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST AUGUST 2002

16. COMMITMENTS

(i) Capital commitments at the end of the financial year for which no provision has been made.

	2002 £	2001 £
Contracted for, but not provided for, in the financial statements	£157,731	£70,143

(ii) Annual commitments under non-cancellable operating leases

	2002 Land and Buildings £	2001 Land and Buildings £	2002 Other £	2001 Other £
Operating leases which expire:				
within one year	6,650	6,650	-	750
within two to five years	-	-	6,025	6,025
	<u>£6,650</u>	<u>£6,650</u>	<u>£6,025</u>	<u>£6,775</u>

17. PENSIONS

The company operates a defined contribution pension scheme for all employees. In addition, members of the teaching staff may elect to join the teachers pension scheme to which the company will contribute instead of their own scheme. Contributions made by the company during the year were £170,106 (2001: £197,962). Contributions payable to the scheme at the end of the year amounted to £2,521 (2001: £2,480).

18. FIXED ASSETS – PLEDGED SECURITY

The following freeholds are held as security on the bank loan:

1. Freehold of ISP Centre, Church Street, Sittingbourne, Kent.
2. Freehold of ISP Centre, Regent Street, Whitstable, Kent.
3. Freehold land and buildings on south side of Church Street, Sittingbourne, Kent.
4. Freehold of Victoria House and 49 Vicarage Road, Watford, Hertfordshire.

19. OBLIGATIONS UNDER FINANCE LEASES

	2002 £	2001 £
Amounts due under one year	61,340	39,871
In the second to fifth years inclusive	48,045	64,407
	<u>109,385</u>	<u>£104,278</u>

20. RELATED PARTY TRANSACTIONS

There were no related party transactions.

INTEGRATED SERVICES PROGRAMME LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31ST AUGUST 2002

21. POST BALANCE SHEET EVENTS

On 25th October 2001 notice was served on the company that it had been named as joint defendant, together with Canterbury Diocesan Board of Finance, in respect of a claim made under Part 8 of the Civil Procedure Rules. The claim for £121,000 represents the purchase cost to the company of St Philip's Church of England School, Melville Road, Maidstone, Kent paid to Canterbury Diocesan Board in June 1995 to which the claimants claim beneficial entitlement.

The directors are contesting the remedy sought by the claimants. The company's legal adviser has advised that the claim is unlikely to succeed.

At the year end the company was in the process of making arrangements to acquire a new property in Sittingbourne, Kent for the approximate consideration of £625,000. No contractual arrangement had been entered into at this date.