

**FELIXSTOWE INTERNATIONAL
E-WHA LIMITED**

**REPORT & ACCOUNTS
YEAR ENDED 31 AUGUST 1998.**

REGISTERED NO:- 3028676



**FELIXSTOWE INTERNATIONAL
E-WHA LIMITED**

Directors: J. Lee
P.W. Lee
E.C. Lee (appointed 3.1.98)

**Secretary and
Registered Office** J. Lee
Cranmer Lodge, Maybush Lane
Felixstowe Suffolk. IP11 7NA.

Company No: 3028676.

Auditor: P.J. Seal FCA. Norwich

Bankers: Barclays Bank plc.
P.O. Box 1.
32 Bridge Street. Banbury.
Oxfordshire. OX16 8PS.

**FELIXSTOWE INTERNATIONAL
E-WHA LIMITED**

REPORT OF THE DIRECTORS

YEAR TO 31st AUGUST 1998.

The Directors submit their Annual Report and Audited Accounts for the year ended 31st August 1998.

PRINCIPAL ACTIVITY

The principal activity of the Company during the year has been the operation of Felixstowe International College providing educational services to foreign students.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Details of the results of the year show a loss for the year of £.26,399. (1997 loss £228,752.)

On 6th January 1999 the Company entered into a Creditors Voluntary Agreement with it's Creditors as it was considered by the Directors that such an arrangement was in the best interests of the Creditors, as the alternative was for the Company to be placed in liquidation. The Directors believe that since 31st August 1998 the rate of loss has reduced but the total losses sustained since trading began gave rise to creditor pressure that led to the preparation of proposals for the Creditors Voluntary Arrangement sent to Creditors on 10th December 1998.

The Directors are taking steps, following the approval of the CVA on 6th January 1999 to ensure that both operating costs are controlled and student numbers increase to a level at which profitability can be achieved. As part of the cost control exercise the Company will consider sharing premises with another private school.

FIXED ASSETS

The movements in tangible fixed assets during the year are set out in Note 7 to the Accounts.

FELIXSTOWE INTERNATIONAL E-WHA LIMITED**REPORT OF THE DIRECTORS (CONTINUED)****DIRECTORS AND THEIR INTERESTS**

The Directors who served during the year are detailed on Page 1 and the interests in the shares of the Company of those serving at the end of the year were as follows;

	At 31.8.98 Ordinary Shares of £1 each	At 31.8.97 Ordinary Shares at £1 each
J. Lee	10,000	10,000.

AUDITOR

Mr. P.J. Seal FCA. has expressed a willingness to continue in office.

By order of the Board.



Company Secretary

18 JUN 1999

**FELIXSTOWE INTERNATIONAL
E-WHA LIMITED**

STATEMENT OF DIRECTORS RESPONSIBILITIES

Company Law requires the Directors to prepare accounts 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 period. In preparing those accounts, 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 accounts.

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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Director

**FELIXSTOWE INTERNATIONAL
E-WHA LIMITED**

REPORT OF THE AUDITOR TO THE MEMBERS

I have audited the accounts on pages 7 to 13 which have been prepared under the Historical Cost Convention and the accounting policies set out on pages 9 and 10.

Respective Responsibilities of Directors and Auditors.

As described on page 4 the Company's Directors are responsible for the preparation of accounts. It is my responsibility to form an independent opinion, based upon my audit, on those accounts and to report my opinion to you.

Basis of Opinion

I conducted my audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.


I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounts are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounts.

FELIXSTOWE INTERNATIONAL E-WHA LIMITED**REPORT OF THE AUDITOR TO THE MEMBERS (CONTINUED)****Fundamental Uncertainty**

As disclosed in Notes 1 and 14 to the Accounts, the Company on the 6th January 1999 entered into a Creditors Voluntary Arrangement with its Creditors. If the Company does not maintain its financial obligations under the CVA the consequence would be that the going concern basis would no longer be appropriate. This would result both in additional liabilities and a reduction in value in the Company's fixed assets, the amounts of which cannot be quantified. Details of the financial obligations under the CVA are set out in Note 14 to the Accounts. My opinion is not qualified in respect of this matter.

Opinion

In my opinion the accounts give a true and fair view of the state of the Company's affairs as at 31st August 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



P.J. Seal FCA
Registered Auditor
Chartered Accountant
22 June 1999

**FELIXSTOWE INTERNATIONAL
E-WHA LIMITED**

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31st AUGUST 1998.

	<u>Notes</u>	1998 £	1997 £
Turnover	2.	390686.	489394.
Establishment Expenses		(202854)	(387681)
Administrative Expenses		<u>(214478)</u>	<u>(332335)</u>
Operating Loss	3.	(26646)	(230622)
Interest Receivable		<u>247.</u>	<u>1943</u>
		(26399)	(228679)
Interest Payable	4.	<u>-</u>	<u>(73)</u>
Loss on Ordinary Activities	12	(26399)	(228752)
Loss Brought Forward		<u>(715877)</u>	<u>(487125)</u>
Loss Carried Forward		<u>(742276)</u> =====	<u>(715877)</u> =====

The notes on pages 9 to 13. form part of these accounts.

A separate statement of recognised gains and losses has not been prepared as the Company has no recognised gains and losses other than the loss for the year.

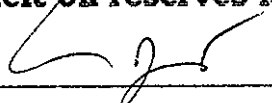
**FELIXSTOWE INTERNATIONAL
E-WHA LIMITED.**

**BALANCE SHEET
AS AT 31st AUGUST 1998.**

	Notes	<u>1998</u> £	<u>1997</u> £
FIXED ASSETS			
Tangible Assets	7.	33873 =====	54747 =====
CURRENT ASSETS			
Debtors	8.	237.	11874
Cash at Bank		<u>178.</u> 415.	<u>8310</u> 20184
CREDITORS			
Amounts falling due within one year	9.	<u>185565.</u>	<u>199810</u>
Net Current Liabilities		(185150) =====	(179625) =====
TOTAL ASSETS LESS CURRENT LIABILITIES			
		(151277)	(124878)
CREDITORS			
Amounts falling due after more than one year	10	(580999)	(580999)
		(732276) =====	(705877) =====
CAPITAL & RESERVES			
Called up share capital	11	10000	10000
Profit and Loss account	12	(742276)	(715877)
		(732276) =====	(705877) =====

The accounts on pages 7 to 13 were approved by the Board of Directors on 18.6.99 and are signed on it's behalf below.

The whole of the deficit on reserves is attributable to equity interest.

 Director

**FELIXSTOWE INTERNATIONAL
E-WHA LIMITED**

NOTES TO THE ACCOUNTS

YEAR ENDED 31st AUGUST 1998.

1. ACCOUNTING POLICIES

a) Basis of Accounting

The Accounts have been prepared in accordance with the Historical Cost Convention. The principal accounting policies which the Directors have adopted within that Convention are set out below. Exemption has been taken from preparing a cash flow statement under FRS 1 on the grounds that the Company qualifies as a small Company.

b) Going Concern

The Accounts have been prepared on the Going Concern Basis on the assumption that the Company will comply with the terms of the Creditors Voluntary Arrangement, the details of which are set out in Note 14 to the Accounts. For the period between 1st September 1997. and 6th January 1999 the Company was dependant on the financial support of the sole share holder. If that support had been withdrawn the Company would have been unable to find alternative finance and would not have been able to continue in business. However the financial support of the sole share holder was maintained throughout this period.

For the period from 6th January 1999 the Going Concern basis is on the assumption that the Company will comply with the terms of the CVA. If the Company fails to maintain it's financial obligation under the CVA then the Going Concern basis would no longer be appropriate and the fixed assets shown in the accounts may be worth less than book value. They would also have to be re-categorised at realisable value, as current assets.

c) Turnover

Turnover represents amounts invoiced by the Company in respect of services rendered.

FELIXSTOWE INTERNATIONAL E-WHA LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

d) Depreciation

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

Pre-trading Expenditure	50% on a straight line basis.
Improvements to Leasehold land and buildings	Over the period of the lease.
Fixtures and Fittings	25% on a reducing balance basis.

e) Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the Balance Sheet date. Transactions in foreign currencies are recorded at the rates ruling at the date of the transactions. All differences are taken to the Profit and Loss account.

2. TURNOVER

The whole of the Company's turnover during the year arose in the United Kingdom.

3. OPERATING LOSS

The operating loss is stated after charging

	<u>1998</u>	<u>1997</u>
Depreciation	22090.	36529
Auditors Emoluments	2279.	5292
	=====	=====

4. INTEREST PAYABLE

Loan Interest	-	-
Bank Overdraft Interest	-	73.
	=====	=====

5. EMPLOYEES AND DIRECTORS

Staff costs including Directors amounted to:

Wages & Salaries	172389	336624
Social Security costs	21921	25582
Other Pension costs	<u>759.</u>	<u>13362</u>
	<u>195069.</u>	<u>375568</u>

Directors emoluments were £ nil (£ nil 1997)

FELIXSTOWE INTERNATIONAL E-WHA LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

6. TAXATION

There are unrelieved losses of approximately £.650,000. (1997 £625,000) which are available to set off against future trading profits subject to agreement by the Inland Revenue.

7. TANGIBLE FIXED ASSETS

	Pre-trading Expenditure	Improvements to leasehold land and buildings	Fixtures fittings & equipment	Total
	£	£	£	£
Cost				
At 1.9.97.	27975.	31447.	61514.	120936.
Additions	-	-	1216.	1216.
At 31.8.98	-	-	-	122152.
Depreciation				
At 1.9.97	27975.	20642.	17572.	66189.
Additions	-	10801.	11289	2209.
At 31.8.98	-	31443.	28861.	88279.
Net Book Value				
At 31.8.98	-	4.	33869.	33873.
At 31.8.97	-	10805.	43942.	54747.

8. DEBTORS

	1998	1997
Trade Debtors	237.	6275.
Prepayments	-	5599.
	<u>237.</u>	<u>11874.</u>

9. CREDITORS

Amounts falling due within one year

Bank loans & Overdrafts	95.	4749
Trade Creditors	92100.	116318
Other Creditors	-	7338
Accruals & Deferred Income	<u>93370.</u>	<u>71405</u>
	<u>185565</u>	<u>199810</u>

FELIXSTOWE INTERNATIONAL E-WHA LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

10 CREDITORS

Amounts falling due after one year

Other Creditors	<u>580999</u>	<u>580999</u>
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11 SHARE CAPITAL

	1998	1997
Authorised:		
10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
Allotted, Issued & fully paid:		
10,000 shares of £1 each	<u>10,000</u>	<u>10,000</u>

12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS

	Share Capital	Profit & Loss a/c	Total Share- holders Funds
Balance at 1.09.97.	10000	(715877)	(705877)
Loss for the Year	-	(32226)	(32226)
Balance at 31.8.98	<u>10000</u>	<u>(748103)</u>	<u>(738103)</u>

13. OPERATING LEASE COMMITMENTS

At 31st August 1998 the Company was committed to making the following payments during the next year in respect of Operating Leases related to land and buildings:

	1998	1997
Leases which expire:		
Within one to two years	-	30000-
Within two to five years	-	-

FELIXSTOWE INTERNATIONAL E-WHA LIMITED**NOTES TO THE ACCOUNTS (CONTINUED)****14 POST BALANCE SHEET EVENTS**

As a result of a crisis of financial confidence in the Far East student numbers fell dramatically after 31.8.97 resulting in further severe financial pressure on the Company. As a result the Company was placed in late 1998 in the position of either going into liquidation or arranging for a Creditors Voluntary Arrangement.

The Company's proposed for the CVA were sent to Creditors on 10th December 1998 and approved by 97% of Creditors on 6th January 1999.

The agreed arrangement requires the Company to make three payments per year for five years of £5,000. on 31st January, 30th April, and 30th September to the CVA Supervisors, D.J. Dawson and N. Millar of BDO Stoy Hayward of Ipswich. The first two instalments have been paid. The proposals should ensure that preferential Creditors will be paid in full and that other Creditors receive 24p in the £1.

The lease of the premises at Felixstowe currently occupied by the Company expires on 30th June 1999 and the Company is considering entering into arrangements to share accommodation with another private school, which would result in substantial overhead savings.

15. CONTROLLING PARTY

The Company is under the control of Mrs. J. Lee who owns 100% of the issued share capital.