

Fforwm Services Limited
(Registered number: 3066192)

**Report and Financial Statements
for the year ended 31 July 2001**



Fforwm Services Limited

Report and financial statements for the year ended 31 July 2001

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**Directors' report for the year ended
31 July 2001**

The directors present their report and the audited financial statements of the company for the year ended 31 July 2001.

Principal Activities

Fforwm Services Limited was established in 1995 to conduct the business activities of Fforwm, the Charity, which is the parent company. These activities currently comprise the provision of professional training and development courses and the leasing of property and equipment.

Review of business activities and future developments

During the year the company's turnover increased to £4,183,119 (2000: £3,148,959) due to the increased rentals receivable under the lease and leaseback arrangements. The company made a surplus for the year on ordinary activities of £137 (2000: loss £2,471) after making a deed of covenant payment of £67,352 (2000: £31,950) to Fforwm.

During the year, a further eighteen equipment leases were entered into and since the year-end, seven additional equipment leases have been taken out.

The directors consider the financial performance of the company during the year to be satisfactory.

The company has continued to develop its services to member colleges and to expand its representational activities.

Dividend and results for the year

The surplus of £137 (2000: loss £2,471) has been taken to reserves. A payment of £67,352 (2000: £31,950) has been made to Fforwm under the deed of covenant.

Fixed assets

The movements in fixed assets during the year are set out in note 6 to the financial statements.

Directors

The directors of the company during the year were as follows:

R Hampton (Chair)
C E Lewis
D S Mason

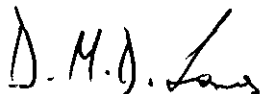
The directors did not have any interests in the ordinary share capital of the company during or at the end of the year.

**Directors' Report for the year ended 31 July 2001
(continued)**

Auditors

The directors appointed the first auditors to the company and subsequently the company resolved to dispense with the obligation to appoint auditors annually pursuant to section 396 of the Companies Act 1985. In the absence of a notice proposing that the appointment be terminated the auditors will be deemed to be reappointed for the next financial year.

By order of the board

A handwritten signature in dark ink, appearing to read 'D. M. D. Jones', written over the printed name.

D M D Jones
Company Secretary

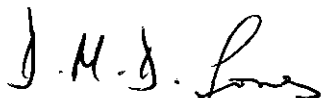
Statement of Directors' responsibilities

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 judgments 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; and
- prepare the accounts 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 enable them to ensure that the accounts comply with the Companies Act. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



D M D Jones
Company Secretary

Independent Auditors' report to the members of Fforwm Services Limited

We have audited the financial statements on pages 6 to 15 and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 3.

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

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 is not disclosed.

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

Basis of audit opinion

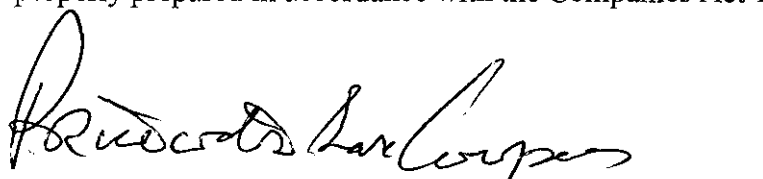
We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments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

**Independent Auditors' report to the members of
Fforwm Services Limited (continued)**

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 July 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A large, stylized handwritten signature in black ink, likely belonging to a representative of PricewaterhouseCoopers, is written over a horizontal line.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Cardiff

20 April 2002

**Profit and loss account
for the year ended 31 July 2001**

	Note	Continuing operations 2001 £	Continuing operations 2000 £
Turnover	2	4,183,119	3,148,959
Cost of sales		(4,053,586)	(3,067,247)
Gross profit		129,533	81,712
Administrative expenses		(72,969)	(60,917)
Operating profit		56,564	20,795
Interest receivable		10,925	8,684
Deed of covenant		(67,352)	(31,950)
Profit/(Loss) on ordinary activities before taxation	4	137	(2,471)
Tax on profit/(loss) on ordinary activities	5	-	-
Profit/(Loss) for the financial year	11	137	(2,471)

The company has no recognised gains or losses other than those indicated above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis, and therefore no separate statement of historical cost profit and loss has been prepared.

The notes on pages 8 to 15 form part of these financial statements.

Balance sheet as at 31 July 2001

	Note	2001	2000	
			£	£
Fixed assets				
Tangible assets	6	1,463		1,547
Current assets				
Debtors				
Falling due within one year	7	2,532,625	1,656,806	
Falling due after more than one year	7	2,903,442	3,384,049	
Debtors		5,436,067	5,040,855	
Cash at bank and in hand		171,263	225,503	
		<u>5,607,330</u>	<u>5,266,358</u>	
Creditors - amounts falling due within one year		<u>(2,806,254)</u>	<u>(2,009,417)</u>	
Net current assets		<u>2,801,076</u>		<u>3,256,941</u>
Total assets less current liabilities		2,802,539		3,258,488
Creditors - amounts falling due after more than one year	9	<u>(2,806,609)</u>		<u>(3,262,695)</u>
Total liabilities		<u>(4,070)</u>		<u>(4,207)</u>
Capital and reserves				
Called up share capital	10	100		100
Profit and loss account	11	<u>(4,170)</u>		<u>(4,307)</u>
Shareholder's funds	12	<u>(4,070)</u>		<u>(4,207)</u>

Approved by the board of directors on [20 MARCH] 2002 and signed on its behalf by:

R Hampton
Director



The notes on pages 8 to 15 form part of these financial statements.

Notes to the financial statements for the year ended 31 July 2001

1 Principal accounting policies

The financial statements have been prepared on the going concern basis. The principal accounting policies of the company are as follows:

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Tangible fixed assets

Tangible fixed assets are stated at purchase cost less accumulated depreciation.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic life of the assets as follows:

Office and computer equipment	3 years
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Turnover

Turnover represents the invoiced value of services supplied excluding value added tax.

Deferred taxation

Provision for deferred taxation is made, using the liability method, on timing differences arising between results as stated in the financial statements and the results as computed for taxation purposes. Provision is made only to the extent that a liability is expected to crystallise in the foreseeable future.

Operating leases

Rentals in respect of operating lease agreements are charged to the profit and loss account in the period to which they relate.

Cash flow statement

In accordance with paragraph 5 of Financial Reporting Standard Number 1, the company is not required to prepare a cash flow statement.

Notes to the financial statements for the year ended 31 July 2001 (continued)

2 Turnover

	2001 £	2000 £
Staff development activities	42,465	22,899
Lease rental income	4,088,161	3,109,714
Rental income	6,798	5,794
Sundry income	45,695	10,552
	<u>4,183,119</u>	<u>3,148,959</u>

3 Directors and employees

The average number of directors of the Company during the period was three (2000:three). None of the directors received any remuneration for their services to the Company.

The Company does not have any employees. All work is undertaken by Fforwm on behalf of the Company.

4 Profit/(Loss) on ordinary activities before taxation

	2001 £	2000 £
The profit/(loss) on ordinary activities before taxation is after charging:		
Depreciation	2,029	4,424
Auditors' remuneration	2,700	2,600
Operating lease rentals:		
- equipment	2,300,997	1,661,866
- land and buildings	<u>1,698,240</u>	<u>1,379,389</u>

5 Tax on profit/(loss) on ordinary activities

There is no corporation tax charge for the period due to the taxation losses brought forward from 1999/2000.

No provision has been made for deferred tax in the year and there was no unprovided deferred tax liability at 31 July 2001.

Notes to the financial statements for the year ended 31 July 2001 (continued)

6 Tangible fixed assets

	Office equipment £	Computer equipment £	Total £
Cost			
At 1 August 2000	3,552	10,219	13,771
Additions at cost	1,436	510	1,946
Disposals at cost	(775)	(1,230)	(2,005)
At 31 July 2001	4,213	9,499	13,712
Depreciation			
At 1 August 2000	3,457	8,767	12,224
Charge for year	574	1,456	2,030
Provision on Disposals	(775)	(1,230)	(2,005)
At 31 July 2001	3,256	8,993	12,249
Net book value			
At 31 July 2001	957	506	1,463
At 31 July 2000	95	1,452	1,547

7 Debtors

	2001 £	2000 £
Amounts falling due within one year:		
Trade debtors	518,673	125,186
Amounts owed by group undertaking	11,111	9,381
Prepayments and accrued income	2,002,841	1,522,239
	2,532,625	1,656,806
Prepayments falling due after more than one year	2,903,442	3,384,049
	5,436,067	5,040,855

**Notes to the financial statements
for the year ended 31 July 2001 (continued)**

8 Creditors: amounts falling due within one year

	2001 £	2000 £
Trade creditors	715,395	443,117
Amounts owed to group undertaking	67,352	31,950
Taxation and social security	8,393	7,242
Accruals and deferred income	<u>2,015,114</u>	<u>1,527,108</u>
	<u>2,806,254</u>	<u>2,009,417</u>

9 Creditors: amounts falling due after more than one year

	2001 £	2000 £
Accruals and deferred income	<u>2,806,609</u>	<u>3,262,695</u>

10 Called up share capital

	2001 £	2000 £
Authorised, issued and fully paid 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

11 Profit and loss account

	2001 £	2000 £
Balance at 1 August	(4,307)	(1,836)
Profit/(loss) for the financial year	<u>137</u>	<u>(2,471)</u>
Balance at 31 July	<u>(4,170)</u>	<u>(4,307)</u>

12 Reconciliation of movements in shareholder's funds

	2001 £	2000 £
Balance at 1 August	(4,207)	(1,736)
Profit/(loss) for the financial year	<u>137</u>	<u>(2,471)</u>
Balance at 31 July	<u>(4,070)</u>	<u>(4,207)</u>

All shareholders interests are of an equity nature.

Notes to the financial statements for the year ended 31 July 2001 (continued)

13 Capital commitments

There were no capital commitments as at 31 July 2001 (2000: nil).

14 Contingent liabilities

HM Customs & Excise have challenged the equipment leasing arrangements carried out by the Company, and a tribunal hearing is awaited. At this stage, it is not possible to predict the outcome of the case, and hence to quantify the amount of any adjustment required, if any, and so no provision has been recorded in the financial statements.

15 Financial commitments

At 31 July 2001 the company had annual commitments under operating leases as follows:

	2001		2000	
	Land and Buildings £	Other £	Land and Buildings £	Other £
Expiring after five years	<u>1,891,407</u>	<u>2,277,836</u>	<u>1,379,407</u>	<u>1,617,818</u>

The company has entered into a number of lease and leaseback arrangements with education institutions. The annual rental commitments of the company under the head leases of those lease and leaseback arrangements are shown above. Under each head lease, the company is able to cancel the lease at any time subject to three months notice.

16 Post balance sheet events

Since the year-end, the company has entered into a further seven equipment lease and leaseback arrangements with educational institutions.

The total annual commitment in respect of those leases is £65,888. Under the head lease of each agreement the company is able to cancel the lease at any time subject to three months notice.

17 Ultimate parent undertaking

The company's ultimate parent undertaking is Fforwm, a registered Charity and a company limited by guarantee incorporated in England and Wales.

Notes to the financial statements for the year ended 31 July 2001 (continued)

18 Related party transactions

Due to the nature of the company's activities and the composition of its board of directors and that of its parent undertaking Fforwm (being Principals and Governors of Further Education Colleges in Wales) it is inevitable that in the course of its normal business activities, the company will undertake transactions with those Colleges in which a member of the board of the company or its parent undertaking will have an interest.

All transactions involving Colleges in which a member of either Board of Directors may have an interest are conducted at arms length and in accordance with the company's normal financial procedures.

The Directors of the company during the year and their relationship with the respective Colleges were;

Director	College	Relationship
R Hampton (Chair)	Bridgend College	Principal
C E Lewis	Neath Port Talbot College	Principal
D S Mason	Coleg Gwent	Principal

The directors of the parent undertaking Fforwm during the year and their relationship with the respective Colleges were;

Director	College	Position
W G Edmunds	Deeside College	Principal
H E Edwards (resigned 24 May 2001)	Coleg Menai	Principal
K Elliott	Swansea College	Principal
W H S Evans (appointed 24 May 2001)	Llandrillo College	Principal
C E Lewis	Neath Port Talbot College	Principal
R Hampton (Chair from 24 May 2001)	Bridgend College	Principal
C R Jackson (resigned 24 May 2001)	Llandrillo College	Chair of Governors
C R Jones	Welsh College of Horticulture	Chair of Governors
H T Jones (appointed 24 May 2001)	Coleg Glan Hafren	Chair of Governors
D S Mason	Coleg Gwent	Principal
I Rees	Coleg Meirion Dwyfor	Principal
J Stephenson (Chair to 24 May 2001, resigned 24 May 2001)	Coleg Powys	Principal
P Croke (appointed 24 May 2001)	Gorseinon College	Principal

Notes to the financial statements for the year ended 31 July 2001 (continued)

Related party transactions (continued)

Income invoiced to Colleges during the year	Lease rental Income	Staff development courses	Annual Conference	Total
	£	£	£	£
Bridgend College	96,258	1,500	400	98,158
Coleg Glan Hafren	12,155	606	230	12,991
Coleg Gwent		2,190	1,450	3,640
Coleg Meirion Dwyfor		548	250	798
Coleg Menai	76,000	412	600	77,012
Coleg Powys		974	230	1,204
Deeside College		942	230	1,172
Gorseinon College		1,100	630	1,730
Llandrillo College	105,308	578	600	106,486
Neath Port Talbot College	242,324	2,008	400	244,732
Swansea College	129,206	998	250	130,454
Welsh College of Horticulture		108	427	535
Total	661,251	11,964	5,697	678,912

Payments to Colleges during the year	Lease rental Expenditure	Catering	Stationery	Total
	£	£	£	£
Bridgend College	94,370	135	-	94,505
Coleg Glan Hafren	11,917	-	-	11,917
Coleg Menai	75,000	-	-	75,000
Coleg Powys		365	20	385
Llandrillo College	104,133	-	-	104,133
Neath Port Talbot College	237,769	-	-	237,769
Swansea College	126,673	-	-	126,673
Total	649,862	500	20	650,382

The following amounts were receivable from Colleges at 31 July 2001:

	£
Bridgend College	36,047
Coleg Glan Hafren	571
Coleg Gwent	2,968
Coleg Meirion Dwyfor	914
Coleg Menai	1,062
Coleg Powys	994
Deeside College	811
Gorseinon College	1,074
Llandrillo College	125,063
Neath Port Talbot College	1,607
Swansea College	548
Welsh College of Horticulture	628
Total	172,287

**Notes to the financial statements
for the year ended 31 July 2001 (continued)****Related party transactions (continued)**

The following amounts were payable to Colleges at 31 July 2001:

	£
Bridgend College	34,147
Coleg Powys	152
Llandrillo College	121,311
Swansea College	<u>45,005</u>
Total	<u><u>200,615</u></u>