

FFORWM SERVICES LIMITED
(Registered Number: 3066192)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 1997



FFORWM SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 1997

The directors present their report and the audited financial statements of the company for the year ended 31 July 1997.

PRINCIPAL ACTIVITIES

Fforwm Services Limited was established to conduct the business activities of Fforwm, its parent company. These activities currently comprise the provision of professional training and development courses and property letting.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The directors consider the financial performance of the company during the year to be satisfactory. A number of property leases were only in place for part of the year and as noted below, further leases have been finalised after the year end. The full year impact of these new leases will assist the future financial performance of the company.

After the year end, a further 5 property leases were finalised upon completion of the capital projects to which they relate. A further 8 leases still remain to be finalised. In addition, 15 new equipment leases have also been entered into since the year end.

The company will develop and expand its activities where a collective approach will be beneficial to the member Colleges of Fforwm.

DIVIDENDS AND RESULTS FOR THE PERIOD

The loss for the year of £1,924 (1996 - loss of £454) has been taken to reserves. The directors do not recommend the payment of a dividend.

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 period are listed below. The directors did not have any interests in the ordinary share capital of the company during or at the end of the period.

JR Cocks	
SA Smith	(Resigned 31 July 1997)
CS Williams	

Subsequent to the year end Mr R Hampton was appointed as a director on 29 September 1997.

FFORWM SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 1997

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 386 of the Companies Act 1985.

By order of the board

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

Dr DMD Jones
Company secretary

8 May 1998

FFORWM SERVICES LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 1997

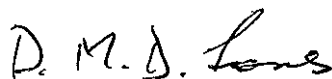
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 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, 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 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



Dr DMD Jones
Company Secretary

8 May 1998

Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS OF FFORWM SERVICES LIMITED

We have audited the financial statements on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 July 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

13 May 1998

FFORWM SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JULY 1997

	<u>1997</u> £	<u>14 months to</u> <u>31 July 1996</u> £
TURNOVER (Note 2)	1,286,118	328,917
Cost of sales	<u>(1,252,023)</u>	<u>(322,668)</u>
GROSS PROFIT	34,095	6,249
Administrative expenses	<u>(39,186)</u>	<u>(6,703)</u>
OPERATING LOSS	(5,091)	(454)
Interest receivable	<u>3,167</u>	<u>-</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 4)	(1,924)	(454)
Tax on loss on ordinary activities (Note 5)	<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR (Note 10)	<u>(1,924)</u>	<u>(454)</u>

All activities derive from continuing operations.

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.

The notes on pages 7 to 13 form part of these accounts.

FFORWM SERVICES LIMITED

BALANCE SHEET AT 31 JULY 1997

	<u>1997</u>		<u>1996</u>	
	£	£	£	£
FIXED ASSETS				
Tangible assets (Note 6)		166		333
CURRENT ASSETS				
Debtors (Note 7)	743,777		128,862	
Cash at bank and in hand	<u>188,360</u>		<u>41,423</u>	
	932,137		170,285	
CREDITORS - Amounts falling due within one year (Note 8)	<u>(934,581)</u>		<u>(170,972)</u>	
NET CURRENT LIABILITIES		<u>(2,444)</u>		<u>(687)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(2,278)</u>		<u>(354)</u>
CAPITAL AND RESERVES				
Called up share capital (Note 9)		100		100
Profit and loss account (Note 10)		<u>(2,378)</u>		<u>(454)</u>
SHAREHOLDERS' FUNDS (Note 11)		<u>(2,278)</u>		<u>(354)</u>

Approved by the board of directors on 8 May 1998
and signed on its behalf by:



JR Cocks
Director

The notes on pages 7 to 13 form part of these accounts.

FFORWM SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 1997

1 GOING CONCERN AND ACCOUNTING POLICIES

The accounts have been prepared on the going concern basis. The principal accounting policies of the company are as follows;

(1) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

(2) Comparative figures

The accounting reference date for the company is 31 July and the accounts are for the year to 31 July 1997. The company was formed on 9 June 1995 and commenced trading in October 1995 and accordingly the comparatives are for the period 9 June 1995 to 31 July 1996.

(3) 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
-------------------------------	---------

(4) Turnover

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

(5) Deferred taxation

Provision for deferred taxation is made, using the liability method, on timing differences arising between results as stated in the accounts 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.

(6) Operating leases

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

(7) Cashflow statement

In accordance with paragraph 8 of Financial Reporting Standard Number 1, the company is not required to prepare a cashflow statement.

FFORWM SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 1997 (CONTINUED)

2 TURNOVER

	<u>1997</u> £	<u>1996</u> £
Staff development activities	65,690	59,811
Property leasing rental income	794,806	171,772
Property leasing fee income	412,977	97,334
Sundry income	<u>12,645</u>	<u>-</u>
	<u>1,286,118</u>	<u>328,917</u>

3 DIRECTORS AND EMPLOYEES

The average number of directors employed by the company during the period was 3. None of the directors received any remuneration for their services to the Company.

Other than directors, the company does not have any employees. All work is undertaken by Fforwm on behalf of the company.

4 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1997</u> £	<u>1996</u> £
The loss on ordinary activities before taxation is after charging:		
Depreciation on tangible fixed assets	167	166
Auditors' remuneration	2,300	1,850
Operating lease rentals	<u>769,953</u>	<u>167,632</u>

5 TAX ON LOSS ON ORDINARY ACTIVITIES

There is no corporation tax charge for the period.

No provision has been made for deferred tax in the year and there was no unprovided deferred tax liability at 31 July 1997.

FFORWM SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 1997 (CONTINUED)

6 TANGIBLE FIXED ASSETS

	<u>Office equipment</u> £	<u>Total</u> £
COST		
As at 31 July 1996 and 31 July 1997	<u>499</u>	<u>499</u>
DEPRECIATION		
As at 1 August 1996	166	166
Charge for the year	<u>167</u>	<u>167</u>
As at 31 July 1997	<u>333</u>	<u>333</u>
NET BOOK AMOUNT		
As at 31 July 1997	166	166
	<u> </u>	<u> </u>
As at 31 July 1996	333	333
	<u> </u>	<u> </u>

7 DEBTORS

	<u>1997</u> £	<u>1996</u> £
Amounts falling due within one year:		
Trade debtors	232,755	87,451
Other debtors	35,399	-
Prepayments and accrued income	<u>475,623</u>	<u>41,411</u>
	743,777	128,862
	<u> </u>	<u> </u>

8 CREDITORS - Amounts falling due within one year

	<u>1997</u> £	<u>1996</u> £
Trade creditors	681,600	90,324
Accruals and deferred income	241,538	62,438
Amounts owed to group undertaking	<u>11,443</u>	<u>18,210</u>
	934,581	170,972
	<u> </u>	<u> </u>

FFORWM SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 1997 (CONTINUED)

9 CALLED UP SHARE CAPITAL

	<u>1997</u> £	<u>1996</u> £
Authorised, issued and fully paid 100 ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>

10 PROFIT AND LOSS ACCOUNT

	<u>1997</u> £
Balance as at 1 August 1996	(454)
Loss for the financial year	<u>(1,924)</u>
Balance as at 31 July 1997	<u>(2,378)</u>

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1997</u> £
Balance as at 1 August 1996	(354)
Loss for the financial year	<u>(1,924)</u>
Balance as at 31 July 1997	<u>(2,278)</u>

All shareholders' interests are of an equity nature.

12 CAPITAL COMMITMENTS AND CONTINGENCIES

There were no capital commitments or contingent liabilities as at 31 July 1997.

FFORWM SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 1997 (CONTINUED)

13 FINANCIAL COMMITMENTS

At the 31 July 1997 the company had annual commitments under operating leases as follows:

	<u>1997</u> £	<u>1996</u> £
Expiring after 5 years	969,950	267,000

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 3 months notice.

14 POST BALANCE SHEET EVENTS

Since the year end, the company has entered into a further 15 equipment and 9 building lease and leaseback arrangements with educational institutions.

The total annual commitments in respect of those leases is £477,025. Under the head lease of each agreement the company is able to cancel the lease at any time subject to three months notice.

15 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.

16 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 arm's 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
JR Cocks	Pontypridd College	Principal
C Williams	Coleg Glan Hafren	Principal
SA Smith (Resigned 31 July 1997)	Gwent College	Chair of Governors

FFORWM SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 1997 (CONTINUED)

16 RELATED PARTY TRANSACTIONS (CONTINUED)

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

Director	College	Position
JR Cocks	Pontypridd College	Principal
K Elliott (appointed 20 May 1997)	Swansea College	Principal
WSH Evans	Llandrillo College	Principal
T Halsall (resigned 5 February 1997)	Afan College	Principal
S Parker (resigned 15 July 1997)	Gwent College	Principal
M Pope	Coleg Menai	Chair of Governors
C Roberts (appointed 20 May 1997)	Aberdare College	Principal
SA Smith (resigned 31 July 1997)	Gwent College	Chair of Governors
J Stephenson	Coleg Powys	Principal
C Williams	Coleg Glan Hafren	Principal

During the year, the following transactions took place with these Colleges:

Income invoiced to the Colleges during the year	Lease rental income £	Fees £	Staff development courses £	Total £
Aberdare College	-	-	1,544	1,544
Afan College	-	-	1,538	1,538
Coleg Glan Hafren	-	-	2,012	2,012
Gwent College	156,083	25,046	3,468	184,597
Llandrillo College	203,460	50,233	2,840	256,533
Coleg Menai	64,191	35,320	1,791	101,302
Pontypridd College	100	-	2,791	2,891
Coleg Powys	-	-	2,641	2,641
Swansea College	-	-	2,594	2,594
Total	423,834	110,599	21,219	555,652

Payments to the Colleges	Lease rental payments £	Catering £	Total £
Gwent College	114,066	-	114,066
Llandrillo College	198,300	-	198,300
Coleg Menai	64,569	-	64,569
Pontypridd College	100	410	510
Coleg Powys	-	434	434
Total	377,035	844	377,879

FFORWM SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 1997 (CONTINUED)

16 RELATED PARTY DISCLOSURES (CONTINUED)

The following amounts were receivable from the Colleges as at 31 July 1997. Specific bad debt provisions had been made against certain of the outstanding amounts.

	Debtor £	Provision £
Afan College	199	-
Aberdare College	1,559	-
Gwent College	44,096	-
Llandrillo College	12,721	-
Coleg Menai	28,260	-
Pontypridd College	645	-
Coleg Powys	255	-
Swansea College	<u>1,040</u>	<u>89</u>
Total	<u>88,775</u>	<u>89</u>

The following amounts were payable to Colleges at 31 July 1997;

	Creditor £
Llandrillo College	56,635
Coleg Menai	<u>44,063</u>
	<u>100,698</u>