

**JAMES BOWERS EDUCATION LIMITED
(FORMERLY WESTMORLAND EDUCATION
SERVICES LIMITED)**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST AUGUST 2002

Company Registration Number 03579104



J.B. LOWTHIAN & CO.

Chartered Accountants & Registered Auditors
Arkle House,
Lonsdale Street,
Carlisle.

JAMES BOWERS EDUCATION LIMITED
(FORMERLY WESTMORLAND EDUCATION SERVICES LIMITED)

FINANCIAL STATEMENTS

YEAR ENDED 31ST AUGUST 2002

CONTENTS	PAGES
The director's report	1 to 2
Independent auditors' report to the shareholders	3
Profit and loss account	4
Statement of total recognised gains and losses	5
Balance sheet	6
Cash flow statement	7 to 8
Notes to the financial statements	9 to 17

JAMES BOWERS EDUCATION LIMITED (FORMERLY WESTMORLAND EDUCATION SERVICES LIMITED)

THE DIRECTOR'S REPORT YEAR ENDED 31ST AUGUST 2002

The director has pleasure in presenting his report and the financial statements of the company for the year ended 31st August 2002.

PRINCIPAL ACTIVITIES

The principal activity of the company is that of a management company with a subsidiary company engaged in the provision of residential education and care of children with special needs.

BUSINESS REVIEW

The Directors are pleased to announce good trading results in a year that has seen the Group's significant development expenditure, incurred in establishing its three new schools in the North Lancashire and Merseyside region, begin to bear fruit.

The establishment of these three additional schools was achieved through the acquisition of an existing school, Pontville, and the establishment of two new units, Lakeside and Westmorland. This new cluster, south of the original three schools in Cumbria, achieved the first step in the Group's overall strategic goal of becoming a national entity.

That first step was to become a regional company servicing Local Authorities within the North West. The financial and professional goals of doubling the size of the Group within 3-5 years has been surpassed and also delivered ahead of time. This growth is predicated on the intention to establish a national company, espousing high quality services in an otherwise low quality, fragmented market. The Group is now the third largest independent provider in the country. This quality is endorsed by the two excellent Ofsted reports for two of the flagship schools, Cedar House and Witherslack Hall (both in South Lakeland), and an excellent HMI report on Lakeside School in Liverpool, resulting in one of the quickest, and highest quality progressions to full DFEs approval that HMI have seen. Lowgate House School has been moved under the management wing of Cedar House to provide better supervision and support of this small specialist unit. The original site was disposed of in a sale to a local building company.

The addition of new schools has achieved another key goal which was to expand beyond the Group's traditional emphasis on working with children with emotional and behavioural needs. Two of the new schools, Lakeside and Pontville, provide different specialist provision for children with more complex learning difficulties, including disorders within the autistic spectrum, and severe communication difficulties. In addition, we also offer full-year care if necessary.

In conclusion, the Group is satisfied that it has achieved the goals established in the five year plan 1998-2003, ahead of schedule, and is now enjoying profitable returns on its considerable investment. Additional investment has been required in the schools ahead of National Care Standards Inspections that have set new regulations regarding residential accommodation and professional standards. Projections for the years 2002-2003 show a further increase in turnover and profitability, and the Group is strongly placed to move into the next phase of its development towards a high quality national company.

CHANGE OF NAME

The Company changed its name to James Bowers Education Services Limited from Westmorland Education Services Limited by the passing of a special resolution on October 9th 2002.

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The director has recommended the following dividends:

	2002	2001
	£	£
Dividends paid on ordinary shares	<u>190,000</u>	<u>—</u>

JAMES BOWERS EDUCATION LIMITED
(FORMERLY WESTMORLAND EDUCATION SERVICES LIMITED)

THE DIRECTOR'S REPORT *(continued)*

YEAR ENDED 31ST AUGUST 2002

THE DIRECTOR AND HIS INTERESTS IN SHARES OF THE COMPANY

The director who served the company during the year together with his beneficial interests in the shares of the company was as follows:

	Ordinary Shares of £1 each	
	At 31 August 2002	At 1 September 2001
J.F Bowers	<u>1,000</u>	<u>1,000</u>

DIRECTOR'S RESPONSIBILITIES

Company law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the director is required to select suitable accounting policies, as described on pages 9 to 10, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The director must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. The director is 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.

AUDITORS

The auditors, J.B.Lowthian & Co, are deemed to be reappointed in accordance with section 386 of the Companies Act 1985 by virtue of an elective resolution passed by the members on 30th March 2000.

Registered office:
 Group Office
 14 Main Street
 Kirkby Lonsdale
 Via Carnforth
 Lancashire
 LA6 2AE

Signed by

J.F Bowers

J.F Bowers
 Company Director

Approved by the director on 29th January 2003

**JAMES BOWERS EDUCATION LIMITED
(FORMERLY WESTMORLAND EDUCATION SERVICES LIMITED)**

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31ST AUGUST 2002

We have audited the financial statements on pages 4 to 17 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 9 to 10.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTOR AND THE AUDITORS

The director's 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 Director's Responsibilities on page 2.

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 Director's 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 director's remuneration and transactions with the company is not disclosed.

We read the Director's Report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

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 director 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.

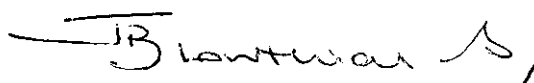
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Arkle House,
Lonsdale Street,
Carlisle.
Cumbria.

29th January 2003



J.B. LOWTHIAN & CO.
Chartered Accountants
& Registered Auditors

JAMES BOWERS EDUCATION LIMITED
(FORMERLY WESTMORLAND EDUCATION SERVICES LIMITED)

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31ST AUGUST 2002

	Note	2002 £	2001 £
TURNOVER	2	705,000	672,122
Cost of sales		—	(65,595)
GROSS PROFIT		705,000	606,527
Administrative expenses		(822,018)	(1,008,431)
Other operating income		141,200	140,000
OPERATING PROFIT/(LOSS)	3	24,182	(261,904)
Profit on disposal of fixed assets	6	315,894	—
		<u>340,076</u>	<u>(261,904)</u>
Interest receivable		133	1,668
Interest payable and similar charges		(120,035)	(144,264)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		220,174	(404,500)
Tax on profit/(loss) on ordinary activities	8	97,000	8,000
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		317,174	(396,500)
Dividends	9	(190,000)	—
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u>127,174</u>	<u>(396,500)</u>

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

JAMES BOWERS EDUCATION LIMITED
(FORMERLY WESTMORLAND EDUCATION SERVICES LIMITED)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

YEAR ENDED 31ST AUGUST 2002

	2002	2001
	£	£
Profit/(Loss) for the financial year attributable to the shareholders	317,174	(396,500)
Unrealised profit on revaluation of certain fixed assets	—	992,861
Total gains and losses recognised since the last annual report	<u>317,174</u>	<u>596,361</u>

JAMES BOWERS EDUCATION LIMITED
(FORMERLY WESTMORLAND EDUCATION SERVICES LIMITED)

BALANCE SHEET

31ST AUGUST 2002

	Note	2002 £	2001 £
FIXED ASSETS			
Intangible assets	10	20,058	22,412
Tangible assets	11	1,635,737	2,507,462
Investments	12	550,039	550,039
		<u>2,205,834</u>	<u>3,079,913</u>
CURRENT ASSETS			
Debtors	13	1,566,855	181,356
CREDITORS: Amounts falling due within one year	15	<u>(565,680)</u>	<u>(290,398)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>1,001,175</u>	<u>(109,042)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,207,009</u>	<u>2,970,871</u>
CREDITORS: Amounts falling due after more than one year	16	<u>(2,413,651)</u>	<u>(2,304,687)</u>
		<u>793,358</u>	<u>666,184</u>
CAPITAL AND RESERVES			
Called-up equity share capital	20	1,000	1,000
Revaluation reserve	21	555,438	992,861
Profit and Loss Account	22	236,920	(327,677)
SHAREHOLDERS' FUNDS	23	<u>793,358</u>	<u>666,184</u>

These financial statements were approved and signed by the director on 29th January 2003 .

J.F BOWERS



JAMES BOWERS EDUCATION LIMITED
(FORMERLY WESTMORLAND EDUCATION SERVICES LIMITED)

CASH FLOW STATEMENT

YEAR ENDED 31ST AUGUST 2002

	2002		2001
	£	£	£
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	(1,111,896)		108,943
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received	133		1,668
Interest paid	<u>(120,035)</u>		<u>(144,264)</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(119,902)		(142,596)
CAPITAL EXPENDITURE			
Payments to acquire intangible fixed assets	—		(23,538)
Payments to acquire tangible fixed assets	(114,786)		(237,385)
Receipts from sale of fixed assets	<u>1,265,894</u>		<u>306,185</u>
NET CASH INFLOW FROM CAPITAL EXPENDITURE	1,151,108		45,262
EQUITY DIVIDENDS PAID	(190,000)		—
CASH (OUTFLOW)/INFLOW BEFORE FINANCING	(270,690)		11,609
FINANCING			
New bank loans	—		70,000
Repayment of bank loans	(119,839)		(92,153)
Repayment of long-term amounts owed to group undertakings	<u>406,959</u>		<u>—</u>
NET CASH INFLOW/(OUTFLOW) FROM FINANCING	287,120		(22,153)
INCREASE/(DECREASE) IN CASH	<u>16,430</u>		<u>(10,544)</u>

RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2002	2001
	£	£
Operating profit/(loss)	24,182	(261,904)
Amortisation	2,354	1,126
Depreciation	36,511	33,397
(Increase)/Decrease in debtors	(1,288,499)	(65,358)
Increase in creditors	113,556	401,682
Net cash (outflow)/inflow from operating activities	<u>(1,111,896)</u>	<u>108,943</u>

JAMES BOWERS EDUCATION LIMITED
(FORMERLY WESTMORLAND EDUCATION SERVICES LIMITED)

CASH FLOW STATEMENT *(continued)*

YEAR ENDED 31ST AUGUST 2002

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2002		2001
	£	£	£
Increase in cash in the period	16,430		1,624,824
Net cash outflow from bank loans	119,839		22,153
Net cash (inflow) from long-term amounts owed to group undertakings	(562,889)		(227,122)
	(426,620)		1,419,855
Change in net debt	(426,620)		1,419,855
Net debt at 1 September 2001	(2,284,815)		(2,110,969)
Net debt at 31 August 2002	<u>(2,544,768)</u>		<u>(2,284,815)</u>

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Sep 2001 £	Cash flows £	At 31 Aug 2002 £
Net cash:			
Overdrafts	(16,543)	16,431	(112)
Debt:			
Debt due within 1 year	(119,515)	(11,490)	(131,005)
Debt due after 1 year	(2,148,757)	(264,894)	(2,413,651)
	(2,268,272)	(276,384)	(2,544,656)
Net debt	<u>(2,284,815)</u>	<u>(259,953)</u>	<u>(2,544,768)</u>

JAMES BOWERS EDUCATION LIMITED
(FORMERLY WESTMORLAND EDUCATION SERVICES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST AUGUST 2002

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets.

Consolidation

In the opinion of the director, the company and its subsidiary undertaking comprise a medium-sized group. The company has therefore taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts.

Turnover

The turnover shown in the Profit and Loss Account represents amounts invoiced during the year.

Development costs

Development expenditure which has been capitalised and deferred to future periods relates to work undertaken at new locations in order to expand the Company's operations. Such expenditure is written-off to the profit and loss account commencing when each development project is up and running and is charged over a period in which the future economic benefits of each project are expected to accrue.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Development Costs - 10% straight line

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold Property	-	2% straight line
Short Leasehold Property	-	10% straight line
Fixtures & Fittings	-	25% reducing balance
Motor Vehicles	-	25% straight line

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The Company contributes to the personal pension schemes of certain employees. The contributions payable by the Company are charged to the profit and loss account in the year to which they relate.

JAMES BOWERS EDUCATION LIMITED
(FORMERLY WESTMORLAND EDUCATION SERVICES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST AUGUST 2002

1. ACCOUNTING POLICIES *(continued)*

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2002 £	2001 £
United Kingdom	<u>705,000</u>	<u>672,122</u>

3. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging:

	2002 £	2001 £
Amortisation	2,354	1,126
Depreciation	36,511	33,397
Auditors' remuneration		
- as auditors	4,819	4,709
Operating lease costs:		
Vehicles	<u>19,999</u>	<u>20,928</u>

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2002 No.	2001 No.
Management and Administrative staff	<u>14</u>	<u>16</u>

The aggregate payroll costs of the above were:

	2002 £	2001 £
Wages and salaries	516,757	617,828
Social security costs	63,151	64,321
Other pension costs	22,214	18,273
	<u>602,122</u>	<u>700,422</u>

JAMES BOWERS EDUCATION LIMITED
(FORMERLY WESTMORLAND EDUCATION SERVICES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST AUGUST 2002

5. DIRECTOR'S EMOLUMENTS

The director's aggregate emoluments in respect of qualifying services were:

	2002 £	2001 £
Emoluments receivable	—	90,235
Value of company pension contributions to money purchase schemes	12,500	—
	<u>12,500</u>	<u>90,235</u>

6. PROFIT ON DISPOSAL OF FIXED ASSETS

	2002 £	2001 £
Profit on disposal of Freehold Property	315,894	—
	<u>315,894</u>	<u>—</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £	2001 £
Interest payable on bank borrowing	69,946	94,213
Interest on other loans	50,089	50,051
	<u>120,035</u>	<u>144,264</u>

8. TAX ON PROFIT OR (LOSS) ON ORDINARY ACTIVITIES

Taxation

	2002 £	2001 £
Current tax:		
UK Corporation tax based on the results for the year at 20% (2001 - 20%)	—	(8,000)
Total current tax	—	(8,000)
Deferred tax:		
Increase in deferred tax asset (note 14)		
Losses - current year	(17,000)	—
Losses - prior year	(80,000)	—
Total deferred tax (note 14)	(97,000)	—
Tax on profit or (loss) on ordinary activities	<u>(97,000)</u>	<u>(8,000)</u>

The taxation credit for the year has been increased by £198,000 relating to Capital Gains tax on the disposal of a freehold property which qualifies for rollover relief. The taxation credit has been further reduced by £11,000 relating to the tax effect of expenses charged to the Company's profit and loss account which do not qualify for tax relief.

JAMES BOWERS EDUCATION LIMITED
(FORMERLY WESTMORLAND EDUCATION SERVICES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST AUGUST 2002

9. DIVIDENDS

The following dividends have been paid in respect of the year:

	2002 £	2001 £
Dividend paid on ordinary shares	<u>190,000</u>	<u>—</u>

10. INTANGIBLE FIXED ASSETS

	Development costs £
COST	
At 1st September 2001 and 31st August 2002	<u>23,538</u>
AMORTISATION	
At 1st September 2001	1,126
Charge for the year	<u>2,354</u>
At 31st August 2002	<u>3,480</u>
NET BOOK VALUE	
At 31st August 2002	<u>20,058</u>
At 31st August 2001	<u>22,412</u>

11. TANGIBLE FIXED ASSETS

	Freehold & Leasehold Property £	Fixtures & Fittings £	Motor Vehicles £	Total £
COST OR VALUATION				
At 1st September 2001	2,495,000	15,178	12,500	2,522,678
Additions	112,355	2,431	—	114,786
Disposals	(950,000)	—	—	(950,000)
At 31st August 2002	<u>1,657,355</u>	<u>17,609</u>	<u>12,500</u>	<u>1,687,464</u>
DEPRECIATION				
At 1st September 2001	—	5,841	9,375	15,216
Charge for the year	<u>30,900</u>	<u>2,486</u>	<u>3,125</u>	<u>36,511</u>
At 31st August 2002	<u>30,900</u>	<u>8,327</u>	<u>12,500</u>	<u>51,727</u>
NET BOOK VALUE				
At 31st August 2002	<u>1,626,455</u>	<u>9,282</u>	<u>—</u>	<u>1,635,737</u>
At 31st August 2001	<u>2,495,000</u>	<u>9,337</u>	<u>3,125</u>	<u>2,507,462</u>

JAMES BOWERS EDUCATION LIMITED
(FORMERLY WESTMORLAND EDUCATION SERVICES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST AUGUST 2002

11. TANGIBLE FIXED ASSETS *(continued)*

Freehold property at 31st August 2002 includes property stated as follows:

	2002	2001
	£	£
At valuation	<u>1,545,000</u>	<u>2,495,000</u>

If freehold property had not been revalued, the comparable amounts determined according to the historical cost convention would have been:

	2002	2001
	£	£
At cost	1,029,184	1,583,677
Less: Accumulated depreciation	<u>(39,622)</u>	<u>(81,538)</u>
	<u>989,562</u>	<u>1,502,139</u>

Freehold property was revalued on 31st August 2001 at open market value by the Company director.

12. INVESTMENTS

	Shares in group company £
COST	
At 1st September 2001 and 31st August 2002	<u>550,039</u>
NET BOOK VALUE	
At 31st August 2002	<u>550,039</u>
At 31st August 2001	<u>550,039</u>

The company owns 100% of the issued share capital of Witherslack Group of Schools Limited, a company incorporated in the United Kingdom.

At 31st August 2002, the aggregate capital and reserves of Witherslack Group of Schools Limited was in deficit by £16,424 (2001 -deficit £330,323) and the profit for the year then ended amounted to £336,899 (2001 - loss £487,373). The Director considers that no permanent diminution in value has occurred with regard to the cost of the Company's investment in its subsidiary company and consequently no provision for impairment at 31st August 2002 is required.

Under the provisions of section 248 of the Companies Act 1985, the company is exempt from preparing consolidated accounts and therefore the accounts show information about the company as an individual entity only.

JAMES BOWERS EDUCATION LIMITED
(FORMERLY WESTMORLAND EDUCATION SERVICES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST AUGUST 2002

13. DEBTORS

	2002	2001
	£	£
Trade debtors	180	195
Section 419 tax recoverable	34,026	34,026
Fixed asset sales	1,400,000	—
Other debtors	30,672	137,805
Prepayments and accrued income	4,977	9,330
Deferred taxation (note 14)	97,000	—
	<u>1,566,855</u>	<u>181,356</u>

Included within other debtors is an overdrawn director's current account amounting to £nil (2001-£136,107). The maximum amount outstanding on this account during the year was £188,138.

14. DEFERRED TAXATION

	2002	2001
	£	£
The movement in the deferred taxation account during the year was:		
Profit and Loss Account movement arising during the year	97,000	—
Balance carried forward	<u>97,000</u>	<u>—</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2002		2001	
	Asset £	Unprovided £	Asset £	Unprovided £
Tax losses available	97,000	—	—	—
Capital gains tax rollover relief	—	198,000	—	—
	<u>97,000</u>	<u>198,000</u>	<u>—</u>	<u>—</u>

JAMES BOWERS EDUCATION LIMITED
(FORMERLY WESTMORLAND EDUCATION SERVICES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST AUGUST 2002

15. CREDITORS: Amounts falling due within one year

	2002		2001
	£	£	£
Bank loans and overdrafts	131,117		136,058
Loan notes	208,333		41,667
Trade creditors	104,669		24,681
Other creditors including taxation and social security:			
Advance corporation tax	31,400		31,400
PAYE and social security	27,904		16,530
Directors current accounts	1,862		-
	<u>61,166</u>		47,930
Accruals and deferred income	60,395		40,062
	<u>565,680</u>		<u>290,398</u>

The bank loans and overdrafts are secured by a first legal charge over the properties of the Company together with cross guarantees and debentures from its subsidiary company and by charges over personal assets of the director.

Loan notes are secured by a legal charge over properties owned by the company.

16. CREDITORS: Amounts falling due after more than one year

	2002	2001
	£	£
Bank loans	948,934	1,080,263
Loan notes	291,667	458,333
Amounts owed to group undertakings	1,173,050	766,091
	<u>2,413,651</u>	<u>2,304,687</u>

Bank loans and loan notes included within Creditors Amounts falling due after more than one year are repayable by instalments.

Included within the above amounts are £359,590 (2001-£507,380) relating to bank loans which fall due for repayment after more than five years.

The bank loans bear interest at 2% and 2.25% over bank base rate and are repayable over periods of 5 and 10 years from the initial drawdown.

Loan notes bear interest at a fixed rate of 10% with capital repayment commencing in August 2002 over a period of three years.

Details of the security for bank loans and loan notes are disclosed in note 15.

17. CREDITORS - CAPITAL INSTRUMENTS

Creditors include finance capital which is due for repayment as follows:

	2002	2001
	£	£
In one year or less, or on demand	339,451	177,724
Between one and two years	309,014	301,281
Between two and five years	571,996	729,936
In five years or more	359,590	507,380
	<u>1,580,051</u>	<u>1,716,321</u>

JAMES BOWERS EDUCATION LIMITED
(FORMERLY WESTMORLAND EDUCATION SERVICES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST AUGUST 2002

18. PENSIONS

(i) The Company has established in April 2002 a Self-Administered Pension Fund providing benefits to its Director and specified senior managers. The assets of the scheme are held separately from those of the Company.

During the year ended 31st August 2002 the Company made defined contributions to the scheme amounting to £12,500.

(ii) The Company makes contributions to certain employees pension plans. Contributions payable during the year ended 31st August 2002 amounted to £9,714 (2001-£18,273). Unpaid contributions at 31st August 2002 amounted to £2,131 (2001-£3,964).

19. RELATED PARTY TRANSACTIONS

(i) The company was under the control of Mr J.F Bowers throughout the current and previous year. Mr J.F Bowers is the managing director and majority shareholder.

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8, except for the overdrawn director's current account as disclosed under Note 13 to these accounts.

(ii) During the year the Company received rental income amounting to £140,000 (2001-£140,000) and a management charge of £705,000 (2001-£550,000) from Witherslack Group of Schools Limited, a wholly-owned subsidiary. The Company also made sales of £nil (2001-£122,122) to that subsidiary Company. At 31st August 2002 the amount owed to Witherslack Group of Schools Limited amounted to £1,173,050 (2001-£766,091) as disclosed in Note 16 to these accounts.

(iii) The Company operates a Self-Administered Pension Scheme for the benefit of its Director and certain senior managers. During the year ended August 31st 2002 the extent of the transactions between the Company and the Pension Scheme is summarised as follows:-

	2002 £	2001 £
Pension Scheme contributions (Note 18)	<u>12,500</u>	<u>-</u>
Current Account due from Pension Scheme	<u>9,020</u>	<u>-</u>

20. SHARE CAPITAL

Authorised share capital:

	2002 £	2001 £
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	2002 £	2001 £
Ordinary share capital	<u>1,000</u>	<u>1,000</u>

JAMES BOWERS EDUCATION LIMITED
(FORMERLY WESTMORLAND EDUCATION SERVICES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST AUGUST 2002

21. REVALUATION RESERVE

	2002 £	2001 £
Balance brought forward	992,861	–
Revaluation of fixed assets	–	992,861
Transfer to the Profit and Loss Account on realisation	<u>(437,423)</u>	<u>–</u>
Balance carried forward	<u>555,438</u>	<u>992,861</u>

22. PROFIT AND LOSS ACCOUNT

	2002 £	2001 £
Balance brought forward	(327,677)	68,823
Retained profit/(accumulated loss) for the financial year	127,174	(396,500)
Transfer from revaluation reserve	<u>437,423</u>	<u>–</u>
Balance carried forward	<u>236,920</u>	<u>(327,677)</u>

23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Profit/(Loss) for the financial year	317,174	(396,500)
Dividends	<u>(190,000)</u>	<u>–</u>
	127,174	(396,500)
Other net recognised gains and losses	<u>–</u>	<u>992,861</u>
	127,174	596,361
Transfer from revaluation reserve	437,423	–
Transfer to profit and loss account	<u>(437,423)</u>	<u>–</u>
Net addition to funds	127,174	596,361
Opening shareholders' equity funds	666,184	69,823
Closing shareholders' equity funds	<u>793,358</u>	<u>666,184</u>