

WITHERSLACK HALL SCHOOL LIMITED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
31ST AUGUST 2003



J.B. LOWTHIAN & CO.
Chartered Accountants & Registered Auditors
Arkle House
Lonsdale Street
Carlisle
Cumbria
CA1 1BJ

WITHERSLACK HALL SCHOOL LIMITED
FINANCIAL STATEMENTS
PERIOD FROM 18TH JULY 2002 TO 31ST AUGUST 2003

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WITHERSLACK HALL SCHOOL LIMITED

THE DIRECTOR'S REPORT

PERIOD FROM 18TH JULY 2002 TO 31ST AUGUST 2003

The director has pleasure in presenting his report and the financial statements of the company for the period from 18th July 2002 to 31st August 2003.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Company remained dormant until 31st August 2002. From 1st September 2002 the Company's principal activity has been the provision of residential education and care of children with special needs.

The Director is pleased with the trading results achieved by the Company during the 2003 financial year and looks forward to future prospects with continued optimism.

INCORPORATION

The Company was incorporated on 18th July 2002.

RESULTS AND DIVIDENDS

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

The director has recommended the following dividends:

Dividends paid on ordinary shares	£ <u>250,000</u>
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THE DIRECTOR AND HIS INTERESTS IN THE SHARES OF THE COMPANY

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

		Ordinary Shares of £1 each	
		At	At
		31 August 2003	18 July 2002
J.F. Bowers	(appointed 18th July 2002)	—	—

At the balance sheet date, Mr J.F.Bowers had a beneficial interest in 1000 Ordinary Shares of £1 each in the ultimate parent company, James Bowers Education Limited.

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 period and of the profit or loss for the period then ended. In preparing those financial statements, the director is required to:

select suitable accounting policies, as described on page 8, and then apply them consistently;

make judgements and estimates that are reasonable and prudent; and

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.

WITHERSLACK HALL SCHOOL LIMITED

THE DIRECTOR'S REPORT *(continued)*

PERIOD FROM 18TH JULY 2002 TO 31ST AUGUST 2003

AUDITORS

A resolution to re-appoint J.B. Lowthian & Co. as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

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

Signed by

J F Bowers

J.F.BOWERS

Company Director

Approved by the director on 14th September 2004

WITHERSLACK HALL SCHOOL LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
WITHERSLACK HALL SCHOOL LIMITED
PERIOD FROM 18TH JULY 2002 TO 31ST AUGUST 2003

We have audited the financial statements on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTOR AND AUDITORS

As described in the Statement of Director's Responsibilities the company's director is 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 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.

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.

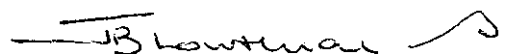
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 2003 and of its profit for the period then ended, and have been properly prepared in accordance with the Companies Act 1985.

Arkle House
Lonsdale Street
Carlisle
Cumbria
CA1 1BJ

14th September 2004



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

WITHERSLACK HALL SCHOOL LIMITED
PROFIT AND LOSS ACCOUNT
PERIOD FROM 18TH JULY 2002 TO 31ST AUGUST 2003

	Note	Period from 18 Jul 02 to 31 Aug 03 £
TURNOVER	2	2,820,184
Administrative expenses		<u>(2,559,540)</u>
OPERATING PROFIT	3	260,644
Interest payable	5	(3)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>260,641</u>
Tax on profit on ordinary activities	6	(10,000)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>250,641</u>
Dividends	7	(250,000)
RETAINED PROFIT FOR THE FINANCIAL PERIOD		<u><u>641</u></u>

The company commenced to trade on 1st September 2002. Since that date, all of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the period as set out above.

WITHERSLACK HALL SCHOOL LIMITED

BALANCE SHEET

31ST AUGUST 2003

	Note	£	31 Aug 03 £
FIXED ASSETS			
Tangible assets	8		287,190
CURRENT ASSETS			
Stocks	9	6,600	
Debtors	10	740,232	
Cash at bank and in hand		<u>230,371</u>	
		977,203	
CREDITORS: Amounts falling due within one year	11	<u>(1,249,344)</u>	
NET CURRENT LIABILITIES			<u>(272,141)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			15,049
CREDITORS: Amounts falling due after more than one year	12		<u>(4,308)</u>
			10,741
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	15		<u>(10,000)</u>
			<u>741</u>
CAPITAL AND RESERVES			
Called-up equity share capital	19		100
Profit and loss account			<u>641</u>
SHAREHOLDERS' FUNDS	20		<u>741</u>

These financial statements were approved and signed by the director on 14th September 2004.

J.F. BOWERS

JF Bowers

WITHERSLACK HALL SCHOOL LIMITED
CASH FLOW STATEMENT
PERIOD FROM 18TH JULY 2002 TO 31ST AUGUST 2003

		Period from 18 Jul 02 to 31 Aug 03 £
NET CASH INFLOW FROM OPERATING ACTIVITIES		814,176
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest paid	(3)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(3)
CAPITAL EXPENDITURE		
Payments to acquire tangible fixed assets	(340,907)	
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		(340,907)
EQUITY DIVIDENDS PAID		(250,000)
CASH INFLOW BEFORE FINANCING		223,266
FINANCING		
Issue of equity share capital	100	
Capital element of hire purchase	7,005	
NET CASH INFLOW FROM FINANCING		7,105
INCREASE IN CASH		230,371
RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
		Period from 18 Jul 02 to 31 Aug 03 £
Operating profit		260,644
Depreciation		53,717
Increase in stocks		(6,600)
Increase in debtors		(740,232)
Increase in creditors		1,246,647
Net cash inflow from operating activities		814,176

WITHERSLACK HALL SCHOOL LIMITED

CASH FLOW STATEMENT *(continued)*

PERIOD FROM 18TH JULY 2002 TO 31ST AUGUST 2003

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	31 Aug 03	
	£	£
Increase in cash in the period	230,371	
Cash outflow in respect of hire purchase	<u>(7,005)</u>	
		<u>223,366</u>
Change in net funds		223,366
Net funds at 18 July 2002		<u>-</u>
Net funds at 31 August 2003		<u>223,366</u>

ANALYSIS OF CHANGES IN NET FUNDS

	At 18 Jul 2002 £	Cash flows £	At 31 Aug 2003 £
Net cash:			
Cash in hand and at bank	-	230,371	230,371
Debt:			
Hire purchase agreements	<u>-</u>	<u>(7,005)</u>	<u>(7,005)</u>
Net funds	<u>-</u>	<u>223,366</u>	<u>223,366</u>

WITHERSLACK HALL SCHOOL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 18TH JULY 2002 TO 31ST AUGUST 2003

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the period.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

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

Leasehold Property	- 10% straight-line
Fixtures & Fittings	- 25% reducing balance

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

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 operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Deferred taxation

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date 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.

WITHERSLACK HALL SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 18TH JULY 2002 TO 31ST AUGUST 2003

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:

	Period from 18 Jul 02 to 31 Aug 03 £
United Kingdom	<u>2,820,184</u>

3. OPERATING PROFIT

Operating profit is stated after charging:

	Period from 18 Jul 02 to 31 Aug 03 £
Director's emoluments	—
Depreciation of owned fixed assets	52,949
Depreciation of assets held under hire purchase agreements	768
Auditors' remuneration - as auditors	2,000
Operating lease costs: Vehicles	35,480
Land and buildings	<u>52,500</u>

4. PARTICULARS OF EMPLOYEES

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

	Period from 18 Jul 02 to 31 Aug 03 No
Teachers and assistants	27
Care workers	33
Ancillary staff	13
Administration and other staff	9
	<u>82</u>

The aggregate payroll costs of the above were:

	Period from 18 Jul 02 to 31 Aug 03 £
Wages and salaries	1,473,063
Social security costs	133,282
Other pension costs	42,184
	<u>1,648,529</u>

WITHERSLACK HALL SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 18TH JULY 2002 TO 31ST AUGUST 2003

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Period from 18 Jul 02 to 31 Aug 03 £
Interest payable on bank borrowing	<u>3</u>

6. TAXATION ON ORDINARY ACTIVITIES

	Period from 18 Jul 02 to 31 Aug 03 £
Deferred tax:	
Origination and reversal of timing differences (note 15)	
Capital allowances	11,100
Short-term timing differences	<u>(1,100)</u>
Total deferred tax (note 15)	<u>10,000</u>

Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 19%.

	Period from 18 Jul 02 to 31 Aug 03 £
Profit on ordinary activities before taxation	<u>260,641</u>
Profit on ordinary activities at 19%	49,522
Group relief received for which no payment has been made	(57,379)
Disallowable expenses	4,219
Changes in accelerated capital allowances	(11,100)
Changes in pension fund accrual	1,100
Sundry tax adjusting items	<u>13,638</u>
Total current tax	<u>—</u>

7. DIVIDENDS

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

	Period from 18 Jul 02 to 31 Aug 03 £
Dividend paid on ordinary shares	<u>250,000</u>

WITHERSLACK HALL SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 18TH JULY 2002 TO 31ST AUGUST 2003

8. TANGIBLE FIXED ASSETS

	Leasehold Property £	Fixtures & Fittings £	Total £
COST			
Additions	33,891	75,107	108,998
Transfers from group company	196,882	247,587	444,469
At 31st August 2003	<u>230,773</u>	<u>322,694</u>	<u>553,467</u>
DEPRECIATION			
Charge for the period	20,628	33,089	53,717
Transfers from group company	62,582	149,978	212,560
At 31st August 2003	<u>83,210</u>	<u>183,067</u>	<u>266,277</u>
NET BOOK VALUE			
At 31st August 2003	<u>147,563</u>	<u>139,627</u>	<u>287,190</u>

Hire purchase agreements

Included within the net book value of £287,190 is £8,738 relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the period in respect of such assets amounted to £768.

9. STOCKS

	31 Aug 03 £
Stock	<u>6,600</u>

10. DEBTORS

	31 Aug 03 £
Trade debtors	300,928
Amounts owed by group undertakings	422,562
Other debtors	850
Prepayments and accrued income	15,892
	<u>740,232</u>

11. CREDITORS: Amounts falling due within one year

	31 Aug 03 £
Trade creditors	38,800
Amounts owed to group undertakings	194,423
Other creditors including taxation and social security:	
PAYE and social security	53,779
Hire purchase agreements	<u>2,697</u>
	56,476
Accruals and deferred income	959,645
	<u>1,249,344</u>

WITHERSLACK HALL SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 18TH JULY 2002 TO 31ST AUGUST 2003

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

	31 Aug 03 £
Other creditors:	
Hire purchase agreements	<u>4,308</u>

13. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	31 Aug 03 £
Amounts payable within 1 year	3,142
Amounts payable between 1 and 2 years	3,142
Amounts payable between 2 and 5 years	<u>2,356</u>
	8,640
Less interest and finance charges relating to future periods	<u>(1,635)</u>
	<u>7,005</u>
Hire purchase agreements are analysed as follows:	
Current obligations	2,697
Non-current obligations	<u>4,308</u>
	<u>7,005</u>

14. PENSIONS

The company makes contributions to employees pension plans. Contributions payable during the year amounted to £42,184. Unpaid contributions at 31st August 2003 amounted to £5,841.

15. DEFERRED TAXATION

	Period from 18 Jul 02 to 31 Aug 03 £
The movement in the deferred taxation provision during the period was:	
Profit and loss account movement arising during the period	<u>10,000</u>
Provision carried forward	<u>10,000</u>
The provision for deferred taxation consists of the tax effect of timing differences in respect of:	
	31 Aug 03 £
Excess of taxation allowances over depreciation on fixed assets	11,100
Short-term timing differences	<u>(1,100)</u>
	<u>10,000</u>

WITHERSLACK HALL SCHOOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 18TH JULY 2002 TO 31ST AUGUST 2003

16. COMMITMENTS UNDER OPERATING LEASES

At 31st August 2003 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings £
Operating leases which expire: After more than 5 years	<u>52,500</u>

17. CONTINGENCIES

The company together with other group members has entered into a composite accounting agreement with its bankers whereby each participating company has provided a guarantee to the bank to support group bank borrowings. At 31st August 2003 the guarantees provided by the company under this agreement amounted to £229,011.

18. 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 in the company's ultimate parent company, James Bowers Education Limited.

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.

(ii) During the year ended 31st August 2003 the company paid a management charge to James Bowers Education Limited amounting to £100,000. At 31st August 2003 the company was indebted by the ultimate parent company by £152,253 which amount is included within "Amounts owed by group undertakings" in Note 10 to these financial statements.

(iii) During the year ended 31st August 2003 the company paid a further management charge amounting to £300,000 to Witherslack Group of Schools Limited, the company's immediate parent company. At 31st August 2003 the company was indebted by the immediate parent company by £270,309 which amount is included within "Amounts owed by group undertakings" in Note 10 to these financial statements.

19. SHARE CAPITAL

Authorised share capital:

	31 Aug 03 £
10,000 Ordinary shares of £1 each	<u>10,000</u>

Allotted, called up and fully paid:

	No	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>

On 18th July 2002 the company was incorporated with 1 ordinary share of £1 each being allotted to a shareholder. On the same date, a further 99 ordinary shares of £1 each were allotted at par.

WITHERSLACK HALL SCHOOL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 18TH JULY 2002 TO 31ST AUGUST 2003

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 Aug 03
	£
Profit for the financial period	250,641
Dividends	(250,000)
	<u>641</u>
New equity share capital subscribed	<u>100</u>
Net addition to funds	<u>741</u>
Closing shareholders' equity funds	<u>741</u>

21. ULTIMATE PARENT COMPANY

The company's ultimate parent company is James Bowers Education Limited, a company incorporated in England.