

The Bell Educational Trust Limited

Report and Financial Statements

Year Ended

31 December 2006

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**BDO Stoy Hayward**  
Chartered Accountants

# **THE BELL EDUCATIONAL TRUST LIMITED**

## **Annual report and financial statements for the year ended 31 December 2006**

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### **Company Secretary and registered office**

C P Harris, Hillscross, Red Cross Lane, Cambridge, CB2 0QU

### **Charity number**

311585

### **Company number**

1048465

### **Auditors**

BDO Stoy Hayward LLP, Emerald House, East Street, Epsom, Surrey, KT17 1HS

### **Bankers**

Barclays Bank Plc, Mortlock House, Vision Park, Histon, Cambridge CB24 9DE

## **THE BELL EDUCATIONAL TRUST LIMITED**

### **Report of the trustees for the year ended 31 December 2006**

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The Trustees who are known as Governors of the Bell Educational Trust Limited ("the Charity") and who are directors of the company for the purposes of the Companies Acts, submit their annual report and the audited financial statements for the year ended 31 December 2006 for the Charity and its subsidiaries (known as Bell International – "the Group") The Governors have adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting and reporting by charities" issued in 2005 in preparing the annual report and financial statements of the Group This report for 2006 is the first in which the provisions of that SORP have been applied

### **REFERENCE AND ADMINISTRATIVE DETAILS**

The Bell Educational Trust Limited is a charitable company limited by guarantee number 1048465 established on 5 April 1972 and also a charity registered with the Charity Commission number 311585

**The Governors** during the year were -

Ms J M Little (Chair – Resigned as Chair and as Governor 31 March 2007)  
Ms V Cowley  
Ms E M Fleming (Appointed Vice Chair 1 April 2007)  
R J Gower (Resigned as Governor 28 February 2007)  
Ms A Lilley  
P Mackenzie-Smith (Appointed 10 May 2007)  
Ms S M Maingay (Appointed 1 February 2007)  
J E Robinson  
Ms M Standley (Appointed Chair 1 April 2007)  
R V White (Vice Chair – Resigned as Vice Chair 31 March 2007)

The Chief Executive during the year was D I Pottinger He was supported by the Company Secretary, C P Harris and a team of senior managers

**Appointed External Advisers were:-**

Auditors	- BDO Stoy Hayward LLP
Bankers	- Barclays Bank plc
Investment Manager	- Schroder & Co Limited
Corporate Solicitors	- Nabarro Nathanson
Building Surveyors	- The Roger Driver Partnership
Property & Planning Consultants	- Smith Stuart Reynolds Limited
	- Turner Morum
Property Solicitors	- Wragge & Co
Employment Law Solicitors	- Eversheds
Professional Pension Scheme Trustee	- The Law Debenture Trust plc

# **THE BELL EDUCATIONAL TRUST LIMITED**

## **Report of the trustees for the year ended 31 December 2006 (continued)**

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### **STRUCTURE, GOVERNANCE AND MANAGEMENT**

The Bell Educational Trust Limited is governed by its Memorandum and Articles of Association adopted on 1 March 1972 and last amended on 19 June 2003

The Board of Governors is legally responsible for policy and decision-making at the highest level. The number of Governors must be not less than four nor more than sixteen. New Governors are elected by the Members.

In accordance with the Articles of Association Governors serve a maximum of ten years on the Board and will be eligible for re-election at the end of the first five years' service.

The Board has actively considered the skills base of the existing board and is actively considering the recruitment, induction and training of Governors. The Board delegates the exercise of certain powers in connection with the management and administration of the Group as set out below. This is controlled by regular reporting back to the Board, so that all decisions made under delegated powers are ratified by the full Board in due course.

**The General Purposes Committee** (also acts as the Remuneration Committee) – met three times during the year

Ms J M Little (Chair)  
R J Gower  
Ms M Standley  
R V White

**The Audit Committee** – met twice during the year

J E Robinson (Chair)  
Ms E M Fleming

**The Investment Committee** – met twice during the year

Ms M Standley (Chair)  
Ms J M Little  
J E Robinson

**The Educational Advisory Committee** – met twice during the year

R V White (Chair)  
Ms A Lilley  
R J Gower

The Chief Executive is responsible for the day to day management of the Group's affairs and for implementing policies agreed by the Board of Governors. The Chief Executive is assisted by the Company Secretary/Director of Finance and an executive team of senior managers.

The UK holding company, The Bell Educational Trust Limited, has a number of wholly owned subsidiary companies overseas and directly holds a minority shareholding in Bell Education and Training Services Co Ltd. The formation of wholly owned companies was and still is considered to be the most appropriate way to achieve the delivery of one of the main objectives of the Group, the advancement of education overseas, and to assist in complying with the local laws and regulations of the countries involved. The UK holding company and the subsidiaries are referred to as "the Group" in this report and in the financial statements.

## **THE BELL EDUCATIONAL TRUST LIMITED**

### **Report of the trustees for the year ended 31 December 2006 (continued)**

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#### **Statement of Governors' Responsibilities and Corporate Governance**

The Governors are responsible for their annual report, and for the preparation of financial statements for each financial year which give a true and fair view of the incoming resources and application of those resources of the Charity and Group during the year, and of the state of affairs as at the end of the financial year. In preparing these financial statements, the Governors are required to -

- Ensure that suitable accounting policies are established and applied consistently,
- Make judgements and estimates that are reasonable and prudent,
- State whether the applicable accounting standards and statement of recommended accounting practice have been followed, subject to any material departures disclosed and explained in the financial statements, and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in operation

The Governors have overall responsibility for ensuring that the Group has appropriate systems and controls, financial and otherwise. They are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and for their proper application as required by charity law, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and to provide reasonable assurance that -

- The Group is operating efficiently and effectively,
- All assets are safeguarded against unauthorised use or disposition and are properly applied,
- Proper records are maintained and financial information used within the Group, or for publication, is reliable, and
- The Group complies with relevant laws and regulations

Internal controls over all forms of commitment, income and expenditure continue to be refined to improve efficiency. Processes are in place to ensure that performance is monitored and that appropriate management information is prepared and reviewed regularly by both executive management and the Board of Governors.

The systems of internal control are designed to provide reasonable but not absolute assurance against misstatement or loss. They include

- formal written policies,
- formal agendas and minutes produced for all Committee and Board activities,
- detailed terms of reference for all Committees,
- comprehensive strategic planning, budgeting and management accounting,
- established organisational structure and lines of reporting,
- regular consideration by Governors of financial results, variances from budgets and non-financial performance indicators,
- clear authorisation and approval levels,
- delegation of day-to-day management authority and segregation of duties, and
- identification and management of risks

## **THE BELL EDUCATIONAL TRUST LIMITED**

### **Report of the trustees for the year ended 31 December 2006 (continued)**

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#### **Risk Management**

Detailed considerations of risk are delegated to the Audit Committee, with the assistance of the executive management team. Risks are identified, assessed and controls established and recorded in the Risk Register throughout the year. A formal review of the Group's risk management processes is undertaken on an annual basis.

Through the risk management processes established for the Group, the Governors are satisfied that the major risks identified have been adequately mitigated where necessary. It is recognised that systems can only provide reasonable but not absolute assurance that major risks are being adequately managed.

#### **OBJECTS, PURPOSE AND ACTIVITIES.**

##### **Charitable Objects**

- 1 To promote and provide for the advancement of education and in connection therewith to conduct, carry on, acquire and develop in the United Kingdom or elsewhere any boarding or day schools, colleges or other centres for the education of children and adults of both sexes
- 2 To establish and support or aid in the establishment and support of any charitable association or institutions and to subscribe or guarantee money for charitable purposes in any way connected with the purposes of the Group or necessary to further its objects

##### **Purpose and Intended Impact**

Within these Objects, the Group's purpose is to *change lives* by providing education, training and cultural experiences for people worldwide in order to foster international understanding, in accordance with the vision of its founder, Frank Bell.

#### **REVIEW OF OBJECTIVES, STRATEGIES, ACHIEVEMENTS AND PERFORMANCE FOR THE YEAR 2006**

##### **Objectives for 2006 were :-**

- 1 To review the Group's mission and its contemporary relevance as an educational charity for public benefit
- 2 To prepare and implement an updated strategic plan for the period 2007 – 2011
- 3 To improve the efficiency and effectiveness of the management of the Group by conducting a review of management structures and reporting
- 4 To improve staff effectiveness, motivation and development by implementing changes to the Group's pay and reward policies in the UK
- 5 To bring year round and summer capacity further into line with changing patterns of demand for the provision of educational services in the UK and Malta
- 6 To improve access to the Group's educational services by making use of developing technology to deliver these services affordably to new markets
- 7 To increase globally the number of individuals and institutions benefiting from the Group's educational services, through greater reach, and enhanced professionalism and systems in marketing
- 8 To improve the impact of the Group's scholarships, bursaries and other funding schemes for disadvantaged individuals and communities by conducting a review of this activity

## **THE BELL EDUCATIONAL TRUST LIMITED**

### **Report of the trustees for the year ended 31 December 2006 (continued)**

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#### **Overall**

2006 was a successful year for the Group with overall growth in fees receivable of 8% and a doubling of net incoming resources compared to 2005

#### **Strategic Review (Objectives 1 and 2)**

As part of the brief for his first year in office, the Chief Executive undertook a fundamental review of the Group's mission and goals and prepared a strategic plan for the period 2007-2010. The new Mission Statement

*We change lives by providing education, training, and cultural experiences for people worldwide*

was found to be consistent with the Group's charitable objects and faithful to the vision of its founder. It has also proved inspirational to all stakeholders in the organisation, as well as being more relevant to the modern age and the current activities of the Group. The strategic review involved wide consultation and engagement with staff in the UK and overseas over several months.

#### **Organisation and efficiency (Objective 3)**

A number of measures were taken to improve the efficiency and effectiveness of management in the Group. The Board of Management was abolished and a flatter structure put in place, more inclusive to middle managers. At the same time, new reporting regimes by operational and functional managers were established, based around a consistent set of Key Performance Indicators (KPIs). These measures - designed to increase visibility of performance and facilitate speedy and effective management intervention where required - resulted in a 4.2 point reduction in administration and support costs as a percentage of fees, from 34.8% to 30.6%.

#### **Human Resources Policy (Objective 4)**

Following a comprehensive consultation process, a new pay and rewards system was implemented for all UK staff, accompanied by a structured performance management system. At the same time, changes to terms and conditions for certain categories of staff were introduced to enhance efficiency. These changes were supported by intensive communications - including the introduction of senior management road shows and a new on-line employee feedback tool - designed to foster transparency, to encourage greater alignment of staff objectives with those of the organisation and to ensure recognition of high individual performance and development.

#### **Operations (Objective 5)**

Following several years of losses and in the light of the dwindling popularity of Norwich as a language travel destination, Bell Norwich was closed in September 2006 and the freehold property placed on the market. Elsewhere, as a result of strong growth in demand for junior summer programmes (with a 31% increase in fees receivable in 2006 compared to 2005) capacity for residential summer programmes was increased, with the development of four new young learner centres for 2007 (three in the UK and one in Malta).

Bell's London school was also relocated to prestigious new Bloomsbury premises at the end of 2006 and was re-launched as the Bell International Institute, which is rapidly becoming an industry benchmark for Technology Enhanced Language Learning (TELL).

2006 also saw continued development of Bell's unique *Project UK* programme - a leader in the increasingly important market for Content & Language Integrated Learning (CLIL) - which offers overseas schools the opportunity to send discrete class groups to the UK for a focused language and subject study programme, supported by relevant activity-based study tours.

## **THE BELL EDUCATIONAL TRUST LIMITED**

### **Report of the trustees for the year ended 31 December 2006 (continued)**

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#### **Technology (Objective 6)**

During 2006, Bell grew its educational services distributed by technology enhanced distance learning, extending its reach to new markets with affordable new programmes

Bell's core web-site ([www.bell-centres.com](http://www.bell-centres.com)) was also re-developed and re-launched in the second half of the year, leading to a 15% year on year increase in web visitors. The appointment of Bell's first E-Commerce Manager in 2006 also led to a number of other significant improvements (for example, a major increase in the number of referring sites and substantially higher search engine rankings, following the carrying out of a keyword phrase optimisation review)

2006 also saw the piloting of *Bell Connections* – an on-line alumni site – which has so far attracted over 1,000 subscribers and which will be further developed and rolled out in 2007

#### **Sales and Marketing (Objective 7)**

A Group Director of Sales and Marketing, Will Kinsman, was appointed in March 2006 to support the objective of introducing “enhanced professionalism and systems in marketing”. During the year, the Sales & Marketing department was significantly re-structured, accompanied by the introduction of new systems and procedures (for example, the introduction of a structured New Product Development (NPD) process)

A key driver throughout 2006 was to continue to maintain the diversity of the student population in Bell's intensive centres, by developing and expanding the range of countries from which its students are drawn. With more than 120 different nationalities represented in its UK schools during the year, it was particularly pleasing to see strong development in ‘non-traditional’ language travel markets such as Iran, Iraq and Vietnam, as well as strong growth in South American markets which have been constrained by economic circumstance for a number of years

#### **Scholarships bursaries, funding scheme (Objective 8)**

A review of schemes for disadvantaged individuals and communities was conducted, with a view to increasing the impact and reach of such activity. The outcome of this review was to focus and increasingly direct efforts towards schemes with partner organisations such as the English Speaking Union, the British Council, VSO, IATEFL. A total of twenty one teachers and language learners benefited from scholarships through Bell, including aid workers in developing countries who were partly taught at a distance, mediated by internet technology. The Group continued to support, from donations, the construction of primary schools in Sri Lanka, following the appeal launched as part of the Group's 50th anniversary celebrations in 2005

## **FINANCIAL REVIEW AND RESULTS FOR THE YEAR**

Total Group turnover (incoming resources) of £15,916K, was 8.5% higher than that of the previous year. The total turnover of the four permanent year-round centres in the UK was 1% higher despite the closure of Bell Norwich in September 2006. Fees from Young Learner courses exceeded the previous year by 31% at £3,485K and income from various global contracts and partnerships was 8% higher than that of the previous year at £1,169K

Once again strict controls were exercised over charitable expenditure throughout the Group during the year and this, together with the above mentioned increase in Group turnover, gave rise to net incoming resources for the year of £880K, an improvement of 98% over the previous year



## THE BELL EDUCATIONAL TRUST LIMITED

### Report of the trustees for the year ended 31 December 2006 (continued)

The consolidated balance sheet as at 31 December 2006 shows net current assets of £3,681K compared to £1,968K at 31 December 2005 and total net assets of £10,198K compared to £9,024K at 31 December 2005

Further details relating to the financial results for the period and the state of the Group's affairs are set out in the attached financial statements. The Governors consider that this was a positive result and look forward to further growth in 2007 and beyond.

#### Investments

Schroder & Co Ltd managed the cash investments of the Charity. The Governors' investment policy during the year was to invest in a balanced fund that would deliver above-inflation long-term growth with a moderate level of income. The strategic ranges for holdings of different classes of asset were as follows:

Cash	0% to 5%
Bonds	10% to 20%
Equities	75% to 90%

The actual asset allocations within the strategic ranges at any particular time were determined by Schroder & Co Ltd. The ongoing management of the portfolio was overseen by the Investment Committee of Governors that met with Schroder & Co Ltd twice during the year.

In December 2006 the Governors made a decision to liquidate the whole of the portfolio in order to provide funds for the purchase of freehold property at Bedgebury School early in 2007. The majority of the portfolio was sold in December 2006 leaving a small balance of £108K at 31 December 2006 and this was subsequently disposed of in early 2007. Details of the movements in these investments are shown in Note 6 on page 18.

#### Free Reserves

Free reserves available for use by the Group are deemed to be those that are readily realisable, less funds whose uses are restricted or designated for particular purposes. The calculation thus excludes property and other fixed assets that will continue to be used in the day-to-day running of the Group.

Free Reserves	2006 £ ' 000	2005 £ ' 000
Total funds	10,198	9,024
Less Tangible Fixed Assets	(9,129)	(8,816)
<b>Total Free Reserves</b>	<b>1,069</b>	<b>208</b>
Represented by		
Investments	108	2,293
Net Current Assets	3,681	1,968
Pension Deficit	(2,720)	(4,053)
<b>Total</b>	<b>1,069</b>	<b>208</b>

The reserves policy agreed by the Governors is that the value of the free reserves before taking account of the pension deficit at the end of any year, should be approximately 30% of total fees receivable for that year. These reserves are designed to be a "buffer" against the risk of trading losses.

## **THE BELL EDUCATIONAL TRUST LIMITED**

### **Report of the trustees for the year ended 31 December 2006 (continued)**

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In certain circumstances at the discretion of the Governors, the level of these reserves may fall below the prescribed 30%, and this has been the case at 31 December 2006, where the level was 24% (29% at 31 December 2005)

In the light of the Bedgebury acquisition in February 2007 and mindful of the necessary investment, the Governors will review the reserves policy during 2007

#### **Employee Involvement**

During the year, members of staff were kept informed of the performance and objectives of the Group through personal briefings and regular meetings of the Employee Forum

#### **Equal Opportunities**

The Group is committed to the provision of equal opportunity with regard to its employment and development of staff as well as in its services to students and other clients. The Group's equal opportunities policy aims to ensure that no internal or external job applicant, employee, student or other client receives less favourable treatment than any other on the grounds of sex, race, colour, nationality, ethnic origin, religion, marital status, age, sexual orientation, political belief, disability or irrelevant offending background

#### **Future Objectives for 2007**

- 1 To complete successfully the acquisition, set up, and full operation of a major new UK centre at Bedgebury in Kent
- 2 To secure Governor approval of the 2007-2010 Strategic Plan and successfully reach implementation milestones for the year
- 3 To seek new ways to fulfill the Mission of the Group worldwide in pursuit of our Charitable Objects

**THE BELL EDUCATIONAL TRUST LIMITED**

**Report of the trustees for the year ended 31 December 2006 (continued)**

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**Auditors**

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to reappoint them as auditors will be proposed at the next annual general meeting

All of the current Governors have taken all the steps they ought to have taken to make themselves aware of any information needed by the Charity's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The Governors are not aware of any relevant audit information of which the auditors are unaware

**APPROVED BY THE BOARD OF GOVERNORS OF THE BELL EDUCATIONAL TRUST LIMITED  
ON AND SIGNED ON ITS BEHALF BY:**

M. Standley

**M. STANDLEY (CHAIR OF GOVERNORS)**

**DATE** 11 July 2007

# THE BELL EDUCATIONAL TRUST LIMITED

## Report of the independent auditors

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### To the members of The Bell Educational Trust Limited

We have audited the group and charity financial statements of the Bell Educational Trust for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheets, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### Respective responsibilities of trustees and auditors

As described in the Statement of Governors' Responsibilities the trustees are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 Trustees' Report is not consistent with the financial statements, if the charity 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 trustees' remuneration and other transactions is not disclosed.

We read the Trustees' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity'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 group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's affairs as at 31 December 2006 and of its incoming resources and resources expended for the year then ended;
- the parent charity's financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charity's affairs as at 31 December 2006;
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and;
- the information given in the trustees' report is consistent with the financial statements.

  
BDO Stoy Hayward LLP

Chartered Accountants and Registered Auditors  
Epsom, Surrey

Date 29 Aug 2007

# THE BELL EDUCATIONAL TRUST LIMITED

## Consolidated statement of financial activities for the year ended 31 December 2006

	Note	Total funds 2006 £'000	Total funds 2005 £'000 (restated)
<b>Incoming Resources</b>			
Fees receivable	2	15,704	14,491
Investment income	8	191	177
Other income		21	-
		<hr/>	<hr/>
Total incoming resources		15,916	14,668
		<hr/>	<hr/>
<b>Resources expended</b>			
<b>Charitable expenditure.</b>			
Cost of activities in furtherance of the Charity's objects			
Teaching costs		4,493	3,796
Welfare		3,302	2,986
Premises		2,103	2,085
Administration and support costs		4,801	5,051
Pension finance costs		244	236
		<hr/>	<hr/>
		14,943	14,154
		<hr/>	<hr/>
<b>Governance costs</b>		93	68
		<hr/>	<hr/>
Total resources expended		15,036	14,222
		<hr/>	<hr/>
<b>Net incoming/(outgoing) resources before transfers</b>		880	445
		<hr/>	<hr/>
<b>Other recognised gains/losses</b>			
Gain on investments		143	354
Actuarial gains/(losses) on defined benefit pension scheme		151	(1,363)
		<hr/>	<hr/>
<b>Net movement in funds</b>		1,174	(563)
		<hr/>	<hr/>
Fund balances brought forward		9,024	9,587
		<hr/>	<hr/>
<b>Fund balances carried forward</b>		10,198	9,024
		<hr/>	<hr/>

All amounts relate to continuing activities. There were no recognised gains or losses other than those included above. The notes on pages 14 to 27 form part of these financial statements.

# THE BELL EDUCATIONAL TRUST LIMITED

## Balance sheets at 31 December 2006

	Note	Group 31 December		Charity 31 December	
		2006 £'000	2005 £'000	2006 £'000	2005 £'000
<b>Fixed assets</b>					
Tangible assets	5	9,129	8,816	8,942	8,687
Investments	6	108	2,293	108	2,293
Investments in subsidiaries	7	-	-	180	255
		<u>9,237</u>	<u>11,109</u>	<u>9,230</u>	<u>11,235</u>
<b>Current assets</b>					
Stock		136	127	13	11
Debtors	9	3,277	2,005	3,220	1,841
Cash at bank and in hand		4,627	3,465	4,305	3,063
		<u>8,040</u>	<u>5,597</u>	<u>7,538</u>	<u>4,915</u>
<b>Creditors: amounts falling due within one year</b>	10	4,359	3,629	3,951	3,256
<b>Net current assets</b>		<u>3,681</u>	<u>1,968</u>	<u>3,587</u>	<u>1,659</u>
<b>Total assets less current liabilities</b>		<u>12,918</u>	<u>13,077</u>	<u>12,817</u>	<u>12,894</u>
<b>Creditors: amounts falling due after more than one year</b>	11	-	-	25	94
<b>Net assets excluding pension liability</b>		<u>12,918</u>	<u>13,077</u>	<u>12,792</u>	<u>12,800</u>
<b>Pension liability</b>		<u>(2,720)</u>	<u>(4,053)</u>	<u>(2,720)</u>	<u>(4,053)</u>
<b>Net assets</b>		<u>10,198</u>	<u>9,024</u>	<u>10,072</u>	<u>8,747</u>
<b>Unrestricted funds</b>					
General fund	12	3,789	4,261	3,850	4,113
Fixed asset fund	12	9,129	8,816	8,942	8,687
Pension fund	17	(2,720)	(4,053)	(2,720)	(4,053)
		<u>10,198</u>	<u>9,024</u>	<u>10,072</u>	<u>8,747</u>

Approved by the Board of Governors and signed on their behalf by

M Standley  
Date

M. Standley  
11 July 2007

The notes on pages 14 to 27 form part of these financial statements

# THE BELL EDUCATIONAL TRUST LIMITED

## Consolidated cash flow statement for the year ended 31 December 2006

	Note	2006 £'000	2005 £'000
Net cash outflow/(inflow) from operating activities	14	(759)	298
Returns on investments and servicing of finance	15	191	176
Capital expenditure and financial investment	15	1,742	(82)
<b>Increase in cash in the period</b>		<b>1,174</b>	<b>392</b>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Increase in cash in the period		1,174	392
Net funds at 1 January		3,452	3,060
<b>Net funds at 31 December</b>		<b>4,626</b>	<b>3,452</b>

The notes on pages 14 to 27 form part of these financial statements

# THE BELL EDUCATIONAL TRUST LIMITED

## Notes forming part of the financial statements for the year ended 31 December 2006

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### 1 Accounting policies

#### *Basis of accounting*

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments, and are in accordance with applicable accounting standards, and the Charities Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities" published in March 2005

The effect of SORP 2005 is that new expenditure headings are now required, and in order to maintain consistency across years, the comparative figures have been re-stated on the same basis. The change in the comparative figures only represents a re-classification of expenditure and has no impact on either the deficit or the net assets of the previous year

The consolidated accounts incorporate the financial statements of the Charity and all of its subsidiary undertakings

#### *Income*

All income is included in the Statement of Financial Activities when the Charity is legally entitled to the income, there is certainty of receipt and it is capable of financial measurement

#### *Expenditure*

All costs are recognised in the period in which they are incurred and are allocated to different cost headings reflecting the activities of the Charity which are in accordance with its objectives with some costs being allocated on the basis of time spent or space occupied. All costs which are not in furtherance of the Charity's objectives are included in governance costs. The Charity does not make any grants

Support costs comprise costs incurred directly in the support of expenditure on the objects of the Charity. Administration costs comprise costs for the running of the business of the entity

#### *Governance costs*

Governance costs are the costs associated with the governance arrangements of the Charity which relate to the general running of the Charity as opposed to those costs associated with fundraising or charitable activity

#### *Depreciation*

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all fixed assets except freehold land, over their expected useful lives. It is calculated at the following rates

Freehold buildings	- 2% on cost
Leasehold buildings and improvements	- over period of lease
Furniture and equipment	- 20% on cost
Vehicles	- 20% on cost
Computer equipment	- 33.3% on cost

All assets in excess of £1,000 are capitalised. In accordance with FRS15 the Charity has adopted a policy of regular revaluation of freehold land and buildings



# THE BELL EDUCATIONAL TRUST LIMITED

Notes forming part of the financial statements for the year ended 31 December 2006 (*Continued*)

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## 1 Accounting policies (*Continued*)

### *Funds*

General funds are unrestricted funds which are available for use at the discretion of the Governors in furtherance of the general objectives of the Charity and which have not been designated for other purposes

Designated funds are amounts which have been set aside at the discretion of the Governors for a specific, but not legally binding purpose

### *Investments*

Investments held for the long term to generate income or capital growth are carried at market value as fixed assets, investment income is accounted for when receivable. Gains and losses on disposal and revaluation of investments are charged or credited to the Statement of Financial Activities

All investments are stated at market value, except for shareholdings in the subsidiary or associate companies which are stated at cost

### *Stocks*

Stocks are valued at the lower of cost and net realisable value

### *Foreign currencies*

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rate of exchange ruling at the balance sheet date. Any differences are taken to the profit and loss account

The results of overseas operations are translated at the average rates of exchange during the year and the balance sheet translated into sterling at the rate of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings are taken to reserves

### *Pension costs*

The Charity participates in a scheme with Legal and General Assurance Society providing benefits based on final pensionable pay. This final salary scheme was closed to new members of staff from 31 March 2002 and closed for future accrual of benefits on 30 September 2003

The fund is valued every three years by professionally qualified independent actuaries using the projected unit method, the rates of contribution payable being determined by the trustees in accordance with the advice of the actuaries. Pension costs are assessed in accordance with the advice of the actuaries, based on the latest actuarial valuations of the scheme

A stakeholder pension scheme is available for all employees. Employer's contributions are charged to the Statement of Financial Activities on an accruals basis

### *Operating leases*

Rentals payable under operating leases are charged through the statement of financial activities on a straight-line basis over the terms of the leases

# THE BELL EDUCATIONAL TRUST LIMITED

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

## 2 Fees receivable

An analysis by geographical market is set out below

	2006 £'000	2005 £'000
United Kingdom	12,192	11,200
Europe	2,258	2,183
Far East/Rest of World	1,254	1,108
	<u>15,704</u>	<u>14,491</u>

## 3 Staff costs

	2006 £'000	2005 £'000
Staff costs consist of		
Wages and salaries	5,354	5,294
Social security costs	546	537
Other pension costs	111	134
	<u>6,011</u>	<u>5,965</u>

The average number of employees, excluding trustees, during the year was

	2006	2005
Office, management and ancillary	175	179
Tutorial	188	186
	<u>363</u>	<u>365</u>

The number of employees earning more than £60,000 per year can be analysed in the following bands

	2006	2005
£80,000 - £89,999	-	1
£100,000 - £109,999	1	-
	<u>1</u>	<u>1</u>

Pension contributions of £10,910 were paid on behalf of the highest paid employee

No Governor received remuneration during the current or previous year. Governors' out-of-pocket expenses for travel and subsistence of £7,143 (2005 £8,646) were reimbursed during the year to 8 (2005 9) Governors. Indemnity insurance premiums of £9,450 (2005 £9,450) were paid on behalf of Governors and officers of the Charity during the year. These premiums were paid by the Charity on behalf of the Governors and officers in order to indemnify them against personal liability from acts conducted in the performance of their duties.

# THE BELL EDUCATIONAL TRUST LIMITED

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

## 4 Analysis of resources expended

	Staff £'000	Depreciation £'000	Other £'000	2006 £'000	2005 £'000 (restated)
<b>Direct charitable expenditure</b>					
Teaching costs	3,496	83	914	4,493	3,796
Welfare	79	26	3,197	3,302	2,986
Premises	244	75	1,784	2,103	2,085
Administration costs	2,167	94	2,540	4,801	5,051
Pension finance costs	-	-	244	244	236
	<u>5,986</u>	<u>278</u>	<u>8,679</u>	<u>14,943</u>	<u>14,154</u>
<b>Governance costs</b>					
Auditors remuneration					
- audit services	-	-	28	28	24
- non audit services	-	-	40	40	16
Cost of Trustees meetings	25	-	-	25	28
	<u>25</u>	<u>-</u>	<u>68</u>	<u>93</u>	<u>68</u>
<b>Other direct costs include</b>				<b>2006 £'000</b>	<b>2005 £'000</b>
Depreciation				278	237
Operating leases – land and buildings				357	335

# THE BELL EDUCATIONAL TRUST LIMITED

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

## 5 Tangible assets

Group	Leasehold Property and Improvements £'000	Freehold land and buildings £'000	Motor vehicles £'000	Fixtures, fittings and equipment £'000	Total £'000
<i>Cost or valuation</i>					
At 1 January 2006	166	8,525	350	2,345	11,386
Additions	2	-	32	566	600
Disposals	(155)	-	(24)	(371)	(550)
At 31 December 2006	13	8,525	358	2,540	11,436
<i>Depreciation</i>					
At 1 January 2006	163	91	321	1,995	2,570
Provided for the year	1	91	12	174	278
Disposals	(155)	-	(15)	(371)	(541)
At 31 December 2006	9	182	318	1,798	2,307
<i>Net book value</i>					
At 31 December 2006	4	8,343	40	742	9,129
At 31 December 2005	3	8,434	29	350	8,816
<b>Charity</b>	<b>Leasehold property and improvements £'000</b>	<b>Freehold land and buildings £'000</b>	<b>Motor vehicles £'000</b>	<b>Fixtures, fittings and equipment £'000</b>	<b>Total £'000</b>
<i>Cost or valuation</i>					
At 1 January 2006	155	8,525	340	1,850	10,870
Additions	-	-	12	495	507
Disposals	(155)	-	(24)	(365)	(544)
At 31 December 2006	-	8,525	328	1,980	10,833
<i>Depreciation</i>					
At 1 January 2006	155	91	311	1,626	2,183
Provided for the year	-	91	8	144	243
Disposals	(155)	-	(15)	(365)	(535)
At 31 December 2006	-	182	304	1,405	1,891
<i>Net book value</i>					
At 31 December 2006	-	8,343	24	575	8,942
At 31 December 2005	-	8,434	29	224	8,687

## THE BELL EDUCATIONAL TRUST LIMITED

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

### 5 Tangible assets (continued)

Freehold buildings were re-valued at 31 December 2004 on the basis of open market value in existing use by Mr R Sadler MRICS of Redmayne Arnold & Harris (all properties except freehold land at Red Cross Lane, Cambridge) and Mr L E Thompson MRICS of Samuel Rose Limited (freehold land at Red Cross Lane, Cambridge) Freehold land and buildings were re-valued to £8,525,000 in total

The historical cost net book value (cost less depreciation) of the property is £4,382,683 (2005 £4,473,989) Depreciation is provided for on freehold buildings at valuation in accordance with FRS 15 The Governors are not aware of any events or transactions since the balance sheet date which necessitate a revision of the values stated

### 6 Fixed asset investments

	2006 £'000	2005 £'000
<b>Group</b>		
Market value 1 January 2006	2,293	1,949
Purchases in year	-	170
Disposal proceeds in year	(2,328)	(179)
Realised gains/(losses) on disposal	134	(27)
Unrealised gains on revaluation	9	380
	<hr/>	<hr/>
Market value at 31 December 2006	108	2,293
	<hr/>	<hr/>
Historical cost at 31 December 2006	106	2,173
	<hr/>	<hr/>
Investments at market value comprise		
UK equity shares	-	1,521
Overseas equity shares	1	450
Fixed interest securities	-	223
Alternative investments	107	99
	<hr/>	<hr/>
Total	108	2,293
	<hr/>	<hr/>

Fixed asset investments which individually represent 5% or more of the portfolio valuation were 76 537 Schroder Alternative Diversified Fund Units (£107,866)

# THE BELL EDUCATIONAL TRUST LIMITED

Notes forming part of the financial statements for the year ended 31 December 2006 (*Continued*)

## 7 Investments in subsidiary companies

Investments held by the Charity include amounts invested in subsidiary companies

	2006 £'000	2005 £'000
Cost at 1 January	255	255
Disposals	(75)	-
	<hr/>	<hr/>
Cost at 31 December	180	255
	<hr/>	<hr/>

<i>Name</i>	<i>Country of incorporation / registration</i>	<i>Class of shares held</i>	<i>Percent held</i>	<i>Nature of business</i>	<i>Year end</i>
Bell Switzerland S A	Switzerland	Ordinary	100%	Language school	31 December
The Bell School Praha AS	Czech Republic	Ordinary	100%	Language school	31 December
Bell Malta Ltd	Malta	Ordinary	100%	Language school	31 December
Bell Tours Ltd	Malta	Ordinary	100%	Not trading	31 December
Bell Education and Training Services Co Ltd*	Thailand	Ordinary	49%	Language school	31 December

\* 51% held/controlled by Bell Switzerland SA

Details of the net assets/(liabilities) and profit/(loss) for the year of the subsidiary companies are as follows

	Net assets/(liabilities)		Profit/(loss) for the year	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Bell Switzerland SA	112	136	(24)	-
The Bell School Praha AS	195	197	(2)	23
Bell Malta Ltd	(468)	(392)	(76)	13
Bell Tours Ltd	7	7	-	-
Bell Education and Training Services Co Ltd	66	66	-	3
	<hr/>	<hr/>	<hr/>	<hr/>

The liabilities of the subsidiaries include loans from Bell Educational Trust Limited of £208,000 (2005 £147,000). Loans of £436,000 to Bell Malta Limited were provided for in full at 31 December 2003 reflecting the diminution in value of the net assets of Bell Malta Limited as at that date.

# THE BELL EDUCATIONAL TRUST LIMITED

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

## 8 Investment income

	2006 £'000	2005 £'000
Interest receivable	133	128
Dividends receivable	58	49
	<u>191</u>	<u>177</u>

## 9 Debtors

	Group		Charity	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Due within one year				
Fees receivable	2,488	1,330	2,267	1,137
Other debtors	434	280	365	227
Prepayments	355	395	284	334
Amounts due from subsidiaries	-	-	304	143
	<u>3,277</u>	<u>2,005</u>	<u>3,220</u>	<u>1,841</u>

## 10 Creditors: amounts falling due within one year

	Group		Charity	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Bank overdraft	1	13	-	-
Fees received in advance and sums due to students	2,480	2,474	2,287	2,314
Trade creditors	1,111	579	1,026	495
Other taxes and social security costs	145	136	97	98
Other creditors	34	94	29	92
Accruals	588	333	512	257
	<u>4,359</u>	<u>3,629</u>	<u>3,951</u>	<u>3,256</u>

## 11 Creditors: amounts falling due after one year

	Group		Charity	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Amounts due to group companies	-	-	25	94

# THE BELL EDUCATIONAL TRUST LIMITED

Notes forming part of the financial statements for the year ended 31 December 2006 (*Continued*)

## 12 Statement of funds

Group	General Fund	Fixed Assets Fund	Pension Fund	Total
	£'000	£'000	£'000	£'000
At 1 January 2006 (restated)	4,261	8,816	(4,053)	9,024
Income	15,916	-	-	15,916
Expenditure	(16,218)	-	1,182	(15,036)
Investment gains / (losses)	143	-	-	143
Transfers between funds	(313)	313	-	-
Actuarial gains	-	-	151	151
At 31 December 2006	3,789	9,129	(2,720)	10,198

The General Fund represents the free funds of the Group which are not designated for particular purposes. The Fixed Asset Fund is a designated fund representing the net book value of sums expended on tangible fixed assets. The pension fund is a designated fund to disclose the pensions liability under FRS 17.

## 13 Analysis of group net assets between funds

Group	General Fund	Fixed Assets Fund	Pension Fund	Total
	£'000	£'000	£'000	£'000
Tangible Fixed Assets	-	9,129	-	9,129
Investments	108	-	-	108
Current Assets	8,040	-	-	8,040
Current Liabilities	(4,359)	-	-	(4,359)
Provisions	-	-	(2,720)	(2,720)
At 31 December 2006	3,789	9,129	(2,720)	10,198



# THE BELL EDUCATIONAL TRUST LIMITED

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

## 14 Reconciliation of net incoming resources before transfers to net cash (outflow) /inflow from operating activities

	2006 £'000	2005 £'000
Net incoming resources before transfers	880	445
Depreciation of tangible fixed assets	278	319
Dividends and Interest received	(191)	(176)
Actuarial gains/(losses) on defined benefit pension scheme	151	(1,363)
Increase in stocks	(9)	(19)
Increase/(decrease) in debtors	(1,272)	931
Increase/(decrease) in creditors and deferred income	742	(280)
(Decrease)/increase in pension provision	(1,333)	434
(Profit)/loss on disposal of fixed assets	(5)	5
	<hr/>	<hr/>
Net cash (outflow) /inflow from operating activities	(759)	298
	<hr/>	<hr/>

## 15 Analysis of cash-flows for headings netted in the cash-flow statement

	2006 £'000	2005 £'000
<b>Return on investment and servicing of finance</b>		
Dividends and Interest received	191	176
	<hr/>	<hr/>
<b>Net cash inflow for returns on investment and servicing of finance</b>	191	176
	<hr/>	<hr/>
<b>Capital expenditure and financial investment</b>		
Purchases of tangible fixed assets	(600)	(91)
Proceeds from sale of tangible fixed assets	14	-
Purchase of investments	-	(170)
Proceeds of sale of investments	2,328	179
	<hr/>	<hr/>
<b>Net cash inflow/(outflow) for capital and financial investments</b>	1,742	(82)
	<hr/>	<hr/>

# THE BELL EDUCATIONAL TRUST LIMITED

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

## 16 Analysis of changes in net funds

	1 January 2006 £'000	Cash flows £'000	Other changes £'000	31 December 2006 £'000
Cash at bank and in hand	3,465	1,162	-	4,627
Bank overdraft	(13)	12	-	(1)
	<u>3,452</u>	<u>1,174</u>	<u>-</u>	<u>4,626</u>

## 17 Pensions

The Charity operates a pension scheme providing benefits based on final pensionable pay. A decision was taken by the Governors to close the scheme to pension accrual for future service from 1 October 2003. The Governors agreed to meet any remaining funding deficit within the remaining services lives of the scheme members. In return, the Trustees of the pension fund agreed to defer the winding up of the scheme to enable the funding deficit to be cleared over this extended period.

The assets of the Scheme are held separately from those of the Charity being invested with Legal and General Assurance Society. Contributions from the employer to fund the deficit to the Scheme are charged to the statement of financial activities as agreed between the Charity and the pension scheme Trustees having taken advice from the scheme's actuaries. The contributions are determined by a qualified actuary on the basis of triennial valuations using the Projected Unit Method. The most recent valuation was at 1 October 2005.

Annual valuations in accordance with FRS17 are also carried out by the Scheme actuary and the valuation as at 31 December 2006 showed the market value of the scheme's assets was £22,705,000 and that the actuarial value of those assets represented 89% of the benefits that had accrued to members after allowing for expected increases in earnings up to retirement. On this ongoing basis the potential funding deficit was £2,720,000.

Regular contributions for the year amounted to a charge for the year of £1,486,000 (2005 £1,200,000).

The major assumptions used by the actuary were

	2006 %	2005 %	2004 %
Rate of increase in salaries	n/a	n/a	n/a
Rate of increase in pensions in payment	3.3	3.0	3.0
Discount rate	5.1	4.7	5.2
Inflation assumption	3.3	3.0	2.0

# THE BELL EDUCATIONAL TRUST LIMITED

Notes forming part of the financial statements for the year ended 31 December 2006 (*Continued*)

## 17 Pensions (*continued*)

The assets in the scheme and the expected rate of return were

	Long-term rate of return expected at 31 December 2006 %	Value at 31 December 2006 £000	Long-term rate of return expected at 31 December 2005 %	Value at 31 December 2005 £000	Long-term rate of return expected at 31 December 2004 %	Value at 31 December 2004 £000
Equities (UK and Overseas)	-	-	6.0	13,975	6.5	12,333
Fixed interest	5.0	1,159	4.5	1,142	4.6	1,051
Cash	5.0	13,942	-	-	-	-
Annuities	5.1	7,256	-	7,839	-	6,876
Deposits	6.0	348	-	-	-	-
Total market value of assets		22,705		22,956		20,170
Present value of scheme Liabilities		(25,425)		(27,009)		(23,789)
Deficit in the scheme		(2,720)		(4,053)		(3,619)

### *Analysis of amounts recognisable within the Statement of Financial Activities gains and losses category*

	2006 £000	2005 £000
Actual return less expected return on pension scheme assets	101	1,396
Experienced gains and losses arising on the scheme liabilities	83	81
Changes in assumption underlying the present value of the scheme liabilities	(33)	(2,840)
Actuarial gain/(loss) on defined benefit scheme	151	(1,363)

### *Movement in deficit during the year*

	2006 £000	2005 £000
Deficit in scheme at beginning of the year	(4,053)	(3,619)
Movement in year		
Current service cost	(48)	(35)
Return on assets	1,226	1,200
Interest costs	(1,210)	(1,199)
Contributions	1,486	1,200
(Loss)/gain on settlements	(260)	(237)
Death in service insurance premiums paid	48	-
Actuarial gain/(loss)	151	(1,363)
Expenses paid by scheme	(60)	-
Deficit in scheme at end of the year	(2,720)	(4,053)

# THE BELL EDUCATIONAL TRUST LIMITED

Notes forming part of the financial statements for the year ended 31 December 2006 (*Continued*)

## 17 Pensions (*Continued*)

### *History of experience gains and losses*

	2006 £'000	2005 £'000
<b>Difference between the actual and expected return on scheme assets:</b>		
Amount	101	1,396
Percentage of scheme assets	0.4%	6.1%
<b>Experienced gains and losses on scheme liabilities:</b>		
Amount	83	81
Percentage of the present value of the scheme liabilities	0.3%	0.3%
<b>Total amount recognised in statement of total gains and losses:</b>		
Amount	151	(1,363)
Percentage of the present value of scheme liabilities	0.6%	(4.1)%

The Group's net assets and net movements in funds are as follows

	2006 £'000	2005 £'000	2004 £'000	2003 £'000	2002 £'000
Net assets excluding pension liability	12,918	13,077	13,206	9,545	9,541
Pension liability	(2,720)	(4,053)	(3,619)	(2,805)	(4,218)
<b>Net assets including pension liability</b>	<b>10,198</b>	<b>9,024</b>	<b>9,587</b>	<b>6,740</b>	<b>5,323</b>
Net movement in funds excluding pension liability	(159)	(79)	3,661	4	(573)
Movement in Pension liability	1,333	(484)	(814)	1,413	(4,218)
<b>Net movement in funds including pension liability</b>	<b>1,174</b>	<b>(563)</b>	<b>2,847</b>	<b>1,417</b>	<b>(4,791)</b>



## THE BELL EDUCATIONAL TRUST LIMITED

Notes forming part of the financial statements for the year ended 31 December 2006 (*Continued*)

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### 18 Commitments under operating leases

As at 31 December 2006, the Charity had annual commitments under non-cancellable operating leases as set out below

	2006 Land and buildings £	2005 £
Operating leases which expire		
Within one year	214	90
In one to two years	8	-
In two to five years	30	135
Over five years	105	30
	<hr/>	<hr/>
	357	255
	<hr/>	<hr/>

### 19 Post balance sheet events

Following the closure of the Bell School Norwich in September 2006, the freehold property known as Bowthorpe Hall, Norwich was sold for £1,475,000 in March 2007

After several months of negotiations during 2006 and early 2007, freehold property in Kent formerly known as Bedgebury School was purchased in February 2007 for £6,080,000. A new Bell Centre will be launched in these premises in July 2007 and, at the end of August 2007, all of the activities of the current Bell Centre in Saffron Walden will be transferred to the Bedgebury Centre. At the same time, the Saffron Walden Centre will be closed and the lease of the premises will expire.