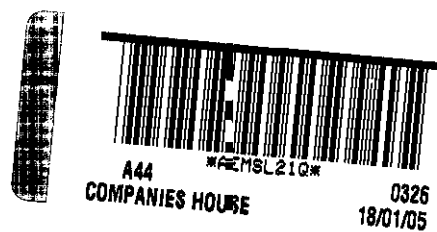


Report of the Directors and
Financial Statements for the Year Ended 30 April 2004
for
The Ryes School Limited



The Ryes Seafood Limited

Contents of the Financial Statements
for the Year Ended 31 April 2004

	Page
Company Information	1
Report of the Directors	2
Report of the Independent Auditors	4
Profit and Loss Account	5
Statement of Total Recognised Gains and Losses	6
Balance Sheet	7
Notes to the Financial Statements	8
Trading and Profit and Loss Account	15

The Ryes School Limited

Company Information

for the Year Ended 31 April 2004

DIRECTORS:

T T Friedag
J R Pester
L A Hunt
J B Clarke
C A Triggs
J Giles

SECRETARY:

R C Huddleston

REGISTERED OFFICE:

The Ryes School
Little Henny
Sudbury
Suffolk
CO10 7EA

REGISTERED NUMBER:

02107585 (England and Wales)

AUDITORS:

Clarke & Co
12 North Hill
Colchester
Essex
C01 1AS

SECRETARY:

M E Carter

The Ryes School Limited

Report of the Directors for the Year Ended 30 April 2004

The directors present her report with the financial statements of the company for the year ended 30 April 2004.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of operating a residential school.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

DIVIDENDS

An interim dividend of 4.5p per share was paid on 1 April 2004. The directors recommend that no final dividend be paid.

The total distribution of dividends for the year ended 30 April 2004 will be £419,000.

DIRECTORS

The directors during the year under review were:

T T Friedag
I R Pester
L A Hunt
J B Clarke
C A Triggs
J Giles

The directors acting offices at 30 April 2004 did not hold any beneficial interest in the issued share capital of the company at 1 January 2004 or 30 April 2004.

The directors transacted during the year and their interests in the shares of the holding company at the end of the financial year were

Ordinary £1 shares	30.04.03 £
T Friedag	65,000
C Triggs	40,000
L Hunt	30,000
J Clarke	25,000
J Giles	20,000
J Pester	20,000

COMPANY'S POLICY ON PAYMENT OF CREDITORS

The company agrees terms and conditions for its business transactions with suppliers. Payment is then made in accordance with these terms subject to the terms and conditions being met by the supplier.

The company has 30 days purchases outstanding at 30 April 2004 (2003 - 73 days) based on the average daily amount invoiced by suppliers during the year ended 30 April 2004.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Ryes School Limited

Report of the Directors

for the Year Ended 31 April 2004


STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

The auditors, Mr & Mrs will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:


.....
E.C. Huddleston Secretary

Date: 8/12/2004

Report of the Independent Auditors to the Shareholders of
The Ryes School Limited

We have audited the financial statements of The Ryes School Limited for the year ended 30 April 2004 on pages five to fourteen. The financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, 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 members those matters we are required to state in our 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in paragraphs two and three the company's directors are responsible for the preparation of 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 Report of the Directors is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

Basis of audit opinion

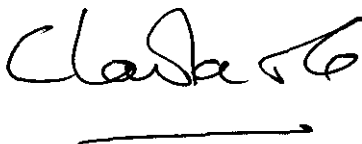
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 April 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Clerke & Co
12 North Hill
Colchester
Essex
CO1 1AS



Date: 13-12-04

The Ryes School Limited

Profit and Loss Account
for the Year Ended 30 April 2004

	Notes	30.4.04 £	30.4.03 £
TURNOVER		4,298,608	3,187,084
Cost of sales		2,336,339	1,844,179
GROSS PROFIT		1,962,269	1,342,905
Administrative expenses		1,440,421	808,968
OPERATING PROFIT	3	521,848	533,937
Exceptional item	4	174,611	-
		347,237	533,937
Interest receivable and similar income		39,263	52,125
		386,500	586,062
Interest payable and similar charges	5	1,464	138
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		385,036	585,924
Tax on profit on ordinary activities	6	38,793	123,370
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		346,243	462,554
Dividends	7	419,000	353,000
(DEFICIT)/RETAINED PROFIT FOR THE YEAR		<u>(72,757)</u>	<u>109,554</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

The Ryes School Limited

Statement of Total Recognised Gains and Losses
for the Year Ended 31 April 2004

	30.4.04 £	30.4.03 £
PROFIT FOR THE FINANCIAL YEAR	346,243	462,554
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u>346,243</u>	<u>462,554</u>
Prior year adjustment		(117,000)
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT		<u><u>345,554</u></u>

The notes form part of these financial statements

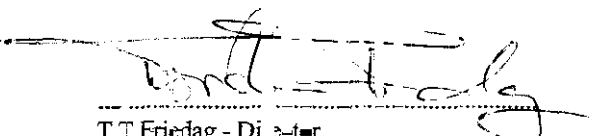
The Ryes School Limited

Balance Sheet

30 April 2004

	Notes	30.4.04 £	30.4.03 £
FIXED ASSETS			
Tangible assets	9	3,080,492	2,884,324
CURRENT ASSETS			
Stocks	10	2,724	2,634
Debtors	11	1,930,333	1,169,722
Cash at bank and in hand		455,856	992,177
		<u>2,388,913</u>	<u>2,164,533</u>
CREDITORS			
Amounts falling due within one year	12	<u>2,163,194</u>	<u>1,727,428</u>
NET CURRENT ASSETS		<u>225,719</u>	<u>437,105</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,306,211</u>	<u>3,321,429</u>
CREDITORS			
Amounts falling due after more than one year	13	(20,896)	-
PROVISIONS FOR LIABILITIES AND CHARGES	16	<u>(48,869)</u>	<u>(12,226)</u>
		<u><u>3,236,446</u></u>	<u><u>3,309,203</u></u>
CAPITAL AND RESERVES			
Called up share capital	17	100,000	100,000
Share premium	18	2,032,649	2,032,649
Profit and loss account	18	<u>1,103,797</u>	<u>1,176,554</u>
SHAREHOLDERS' FUNDS	22	<u><u>3,236,446</u></u>	<u><u>3,309,203</u></u>

ON BEHALF OF THE BOARD:


T T Friedag - Director

Approved by the Board on 8.12.04

1. ACCOUNTING POLICIES

Accounting convention

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

Turnover

Turnover represents net invoiced sales of services, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Freehold property	- 1% on cost
Plant and machinery	- 20% on reducing balance
Fixtures and fittings	- 20% on reducing balance
Motor vehicle	- 25% on reducing balance

Fixed assets are depreciated from the month of purchase, or in the case of properties, the month that they are brought into use.

Stocks

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

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

2. STAFF COSTS

	30.4.04	30.4.03
	£	£
Wages and salaries	2,647,901	1,978,595
Social security costs	27,299	12,070
Other pension costs	60,266	50,704
	<u>2,735,466</u>	<u>2,041,369</u>

Notes to the Financial Statements - continued
for the Year ended 30 April 2004

2. STAFF COSTS - continued

The average monthly number of employees during the year was as follows:

	30.4.04	30.4.03
Education and care	160	89
Administration	45	26
	<u>205</u>	<u>115</u>

3. OPERATING PROFIT

The operating profit is stated after charging:

	30.4.04	30.4.03
	£	£
Hire of plant and machinery	2,754	2,532
Depreciation - owned assets	82,132	66,810
Depreciation - assets on hire purchase contracts	7,004	-
Loss on disposals of fixed assets	1,131	2,876
Audit remuneration	6,136	3,235
	<u>288,128</u>	<u>127,434</u>
Directors' remuneration	15,134	7,318
Directors' pension contributions to money purchase schemes		

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>6</u>	<u>6</u>
------------------------	----------	----------

Information regarding the highest paid director for the year ended 30 April 2004 is as follows:

	30.4.04
	£
Emoluments etc	75,423
Pension contributions to money purchase schemes	<u>4,079</u>

4. EXCEPTIONAL ITEMS

The exceptional item relates to the costs involved in bring Kesgrave Hall School into use.

5. INTEREST PAYABLE AND SIMILAR CHARGES

	30.4.04	30.4.03
	£	£
Bank interest	105	138
Hire purchase	1,359	-
	<u>1,464</u>	<u>138</u>

Notes to the Financial Statements - continued
for the Year Ended 30 April 2004

6. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	30.4.04 £	30.4.03 £
Current tax:		
UK corporation tax	1,470	119,270
Underprovision in prior years	680	-
Overprovision in prior years	-	(157)
Total current tax	2,150	119,113
Deferred tax	36,643	4,257
Tax on profit on ordinary activities	38,793	123,370

UK corporation tax was charged at 30.08% in 2003.

Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below.

	30.4.04 £	30.4.03 £
Profit on ordinary activities before tax	385,036	585,924
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2003 - 30.083%)	73,157	176,264
Effects of:		
Roundings	-	2
Prior year taxation	680	(157)
Group relief received	(71,687)	(56,996)
Current tax charge	2,150	119,113

7. DIVIDENDS

	30.4.04 £	30.4.03 £
Equity shares:		
Interim dividends on ordinary shares	419,000	168,000
Final	-	185,000
	419,000	353,000

8. PRIOR YEAR ADJUSTMENT

The prior year adjustment relates to a special dividend drawn by the previous owners relating to the audited accounts for the year ended 30 April 2002, representing the increase in net assets over the level expected when the sale and purchase agreement was negotiated.

Notes to the Financial Statements - continued
for the Year ended 31 April 2004

9. TANGIBLE FIXED ASSETS

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
COST					
At 1 May 2003	2,869,950	146,046	69,532	66,767	3,152,295
Additions	6,377	191,251	43,703	47,740	289,073
Disposals	-	(4,895)	-	(1,457)	(6,352)
At 30 April 2004	2,876,327	332,402	113,235	113,050	3,435,016
DEPRECIATION					
At 1 May 2003	136,211	58,910	37,456	35,393	267,970
Charged for year	28,737	36,952	8,470	14,977	89,136
Eliminated on disposal	-	(1,472)	-	(1,110)	(2,582)
At 30 April 2004	164,948	94,390	45,926	49,260	354,524
NET BOOK VALUE					
At 30 April 2004	2,711,379	238,012	67,311	63,790	3,080,492
At 30 April 2003	2,733,739	87,136	32,076	31,374	2,884,325

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Plant and machinery £	Motor vehicles £	Totals £
COST			
Additions	48,247	7,600	55,847
At 30 April 2004	48,247	7,600	55,847
DEPRECIATION			
Charged for year	5,737	1,267	7,004
At 30 April 2004	5,737	1,267	7,004
NET BOOK VALUE			
At 30 April 2004	42,510	6,333	48,843

10. STOCKS

	30.4.04	30.4.03
	£	£
Stocks	2,724	2,634

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30.4.04	30.4.03
	£	£
Trade debtors	806,957	830,687
Amounts owed by group undertakings	1,045,561	321,033
Other debtors	47,662	850
Prepayments and accrued income	30,153	17,152
	1,930,333	1,169,722

Notes to the Financial Statements - continued
for the Year ended 31 April 2004

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30.4.04	30.4.03
	£	£
Bank overdrafts and overdrafts (see note 14)	-	1,360
Hire purchase contracts (see note 15)	17,280	-
Trade creditors	65,943	107,855
Tax	1,470	119,270
Social security and other taxes	88,671	54,157
Other creditors	5,671	5,245
Fees in advance	1,812,298	1,313,867
Pension contributions payable	12,328	6,726
Accrued expenses	159,533	118,948
	<u>2,163,194</u>	<u>1,727,428</u>

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	30.4.04	30.4.03
	£	£
Hire purchase contracts (see note 15)	<u>20,896</u>	<u>-</u>

14. LOANS

An analysis of the maturity of loans is given below:

	30.4.04	30.4.03
	£	£
Amounts falling due within one year or on demand:		
Bank overdraft	<u>-</u>	<u>1,360</u>

15. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

	Hire purchase contracts	
	30.4.04	30.4.03
	£	£
Gross obligations repayable:		
Within one year	19,585	-
Between one and five years	23,702	-
	<u>43,287</u>	<u>-</u>
Finance charges repayable:		
Within one year	2,305	-
Between one and five years	2,806	-
	<u>5,111</u>	<u>-</u>
Net obligations repayable:		
Within one year	17,280	-
Between one and five years	20,896	-
	<u>38,176</u>	<u>-</u>

15. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES - continued

The following payments are committed to be paid within one year:

	30.4.04	Operating leases 30.4.03
	£	£
Expiring		
In more than five years	3,389	3,389

16. PROVISION FOR LIABILITIES AND CHARGES

	30.4.04	30.4.03
	£	£
Deferred tax	48,869	12,226

	Deferred tax £
Balance at May 2003	12,226
Timing differences	64,936
Change in rate of taxation	(28,293)
Balance at 30 April 2004	48,869

17. CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid:

Number	Class	Nominal value:	30.4.04	30.4.03
			£	£
100,000	Ordinary	£1	100,000	100,000

18. RESERVES

	Profit and loss account £	Share premium £	Totals £
At 1 May 2003	1,176,554	2,032,649	3,209,203
Deficit for the year	(72,757)	-	(72,757)
At 30 April 2004	1,103,797	2,032,649	3,136,446

19. ULTIMATE PARENT COMPANY

The ultimate parent company is RSO Limited a company registered in England and Wales.

The largest and smallest group of undertakings, of which the company is a member is RSO Limited.

The Ryes Group Limited

Notes to the Financial Statements - continued
for the Year ended 30 April 2004

20. CAPITAL COMMITMENTS

	30.4.04 £	30.4.03 £
Contracted but not provided for in the financial statement	-	9,500

21. RELATED PARTY DISCLOSURES

At the 30 April 2004 the company was owed £1,045,456 (2003 £321,033) by its parent RSO Limited.

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	30.4.04 £	30.4.03 £
Profit on the financial year	346,243	462,554
Dividends	(419,000)	(353,000)
Net (reduction)/addition to shareholders' funds	(72,757)	109,554
Opening shareholders' funds	3,309,203	3,199,649
Closing shareholders' funds	3,236,446	3,309,203
Equity interest	3,236,446	3,309,203

23. CHANGE IN CONTROL

During the previous year the company was sold by Mr. and Mrs. Martin to RSO Limited, which is controlled by current directors.

The Ryes School Limited

Trading and Profit and Loss Account
for the Year Ended 31 August 2004

	30.4.04		30.4.03
	£	£	£
Fees received		4,298,602	3,187,084
Cost of sales			
Catering costs	79,085		61,931
Household expenses	38,592		28,963
Clothing	15,407		12,900
Children's expenses	27,726		16,094
Extra-curricular activities	25,100		17,460
Consultants & therapists fees	22,441		27,216
Educational supplies	16,853		11,211
Staff training	37,268		16,386
Animal feed & care	603		242
Discounts given	29,573		31,782
College & maintenance fees	4,293		4,120
Children's holidays	11,505		-
Set up costs	5,078		-
Wages	1,894,948		1,573,929
Pensions	29,307		35,494
Agency staff costs	98,560		6,451
		2,336,339	1,844,179
GROSS PROFIT		1,962,269	1,342,905
Other income			
Deposit account interest		39,263	52,125
		2,001,532	1,395,030
Expenditure			
Rates and water	6,523		4,805
Use of residences - office	-		299
General insurance	119,510		80,841
Light and heat	27,817		20,703
Premises maintenance	98,645		69,921
Uninsured losses	6,089		-
Directors' salaries	285,972		125,768
Directors' social security	27,299		12,070
Directors' pension contributions	15,134		7,318
Administration Wages	466,981		278,898
Pensions	15,825		7,892
Hire of equipment	2,754		2,532
Staff recruitment costs	27,531		13,785
Telephone	42,875		16,425
Post and stationery	18,173		9,881
Computer supplies	14,388		4,183
Travelling & subsistence	37,897		12,202
Motor expenses	46,842		28,216
Equipment maintenance	4,350		6,487
Advertising	3,321		-
Sundry expenses	781		305
Books and journals	1,649		994
Legal and professional fees	29,932		32,206
Carried forward	1,300,288	2,001,532	735,731
			1,395,030

This page does not form part of the statutory financial statements

The Ryes School Limited

Trading and Profit and Loss Account
for the Year ended 30 April 2004

	30.4.04		30.4.03	
	£	£	£	£
Brought forward	1,300,288	2,001,532	735,731	1,395,030
Auditors remuneration	6,136		3,235	
Bad debts	45,000		-	
		1,351,424		738,966
		650,108		656,064
Finance costs				
Bank charges				
Bank interest	(1,269)		318	
Hire purchase	105		138	
	1,359		-	
		19		456
		649,913		655,608
Depreciation				
Freehold property	28,737		28,699	
Plant and machinery	36,952		19,632	
Fixtures and fittings	8,470		8,019	
Motor vehicles	14,976		10,458	
		89,135		66,808
		560,778		588,800
Loss on disposal of fixed assets				
Fixtures and fittings		1,131		2,876
		559,647		585,924
Exceptional items				
Exceptional Items		174,611		-
NET PROFIT		385,036		585,924