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Report of the Directors and
Financial Statements for the Year Ended 30 April 2005
for
The Ryes School Limited



The Ryes School Limited

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for the Year Ended 30 April 2005

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The Ryes School Limited

Company Information
for the Year Ended 30 April 2005

DIRECTORS:

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

SECRETARY:

M E Carter

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

The Ryes School Limited

Report of the Directors
for the Year Ended 30 April 2005

The directors present their report with the financial statements of the company for the year ended 30 April 2005.

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.

2005 was clearly a difficult year, consolidating the expansion of the middle and upper schools and the integration of new staff.

With the increased capacity we now look forward to welcoming new students into the school and offering a wider range of services and support systems to them.

DIVIDENDS

An interim dividend of £5 per share was paid on 30 April 2005. The directors recommend that no final dividend be paid.

The total distribution of dividends for the year ended 30 April 2005 will be £500,000.

DIRECTORS

The directors during the year under review were:

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

The directors holding office at 30 April 2005 did not hold any beneficial interest in the issued share capital of the company at 1 May 2004 or 30 April 2005.

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

Ordinary £1 shares	30.04.05 £	30.04.04 £
T Friedag	83,056	65,000
C Triggs	51,111	40,000
L Hunt	38,333	30,000
J Clarke	31,944	25,000
J Giles	25,556	20,000
J Pester	20,000	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 had 43 days purchases outstanding at 30 April 2005 (2004 - 25 days) based on the average daily amount invoiced by suppliers during the year ended 30 April 2005.

STAFF POLICIES

The school employs its own extensive training school and meets the requirements of CSCI and OFSTED with regard to the continual training and development of all staff. The company continually reviews its policy regarding compliance with the DDA.

The company operates a comprehensive staff liaison and advisory programme to ensure, that staff are fully aware of developments within the school.

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 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.

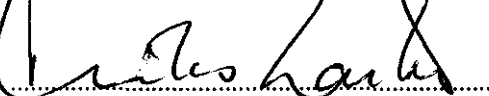
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

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

ON BEHALF OF THE BOARD:



M E Carter - Secretary

Date: 24.2.06

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 2005 on pages five to seventeen. These 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 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 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 on page 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

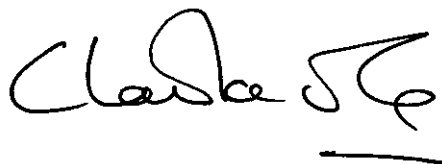
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Clarke & Co
12 North Hill
Colchester
Essex
CO1 1AS



Date: 27th February 2006

The Ryes School Limited

Profit and Loss Account
for the Year Ended 30 April 2005

	Notes	30.4.05 £	30.4.04 £
TURNOVER		5,929,637	4,298,608
Cost of sales		<u>3,881,058</u>	<u>2,336,339</u>
GROSS PROFIT		2,048,579	1,962,269
Administrative expenses		<u>1,984,898</u>	<u>1,440,421</u>
		63,681	521,848
Other operating income		<u>1,725</u>	<u>-</u>
OPERATING PROFIT	3	65,406	521,848
Exceptional Item.	4	<u>-</u>	<u>174,611</u>
		65,406	347,237
Interest receivable and similar income		<u>11,212</u>	<u>39,263</u>
		76,618	386,500
Interest payable and similar charges	5	<u>3,643</u>	<u>1,464</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		72,975	385,036
Tax on profit on ordinary activities	6	<u>714</u>	<u>38,793</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		<u>72,261</u>	<u>346,243</u>

RESERVES

Movements on reserves are shown in note 20 on page 17.

CONTINUING OPERATIONS

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

TOTAL RECOGNISED GAINS AND LOSSES

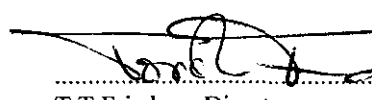
The company has no recognised gains or losses other than the profits for the current and previous years.

The Ryes School Limited

Balance Sheet
30 April 2005

	Notes	30.4.05 £	30.4.04 £
FIXED ASSETS			
Tangible assets	8	2,989,802	3,080,492
CURRENT ASSETS			
Stocks	9	2,778	2,724
Debtors	10	2,320,626	1,930,333
Cash at bank and in hand		<u>199,168</u>	<u>455,856</u>
		2,522,572	2,388,913
CREDITORS			
Amounts falling due within one year	11	<u>2,634,076</u>	<u>2,163,194</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(111,504)</u>	<u>225,719</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,878,298	3,306,211
CREDITORS			
Amounts falling due after more than one year	12	(20,722)	(20,896)
PROVISIONS FOR LIABILITIES AND CHARGES	14	<u>(48,869)</u>	<u>(48,869)</u>
		<u>2,808,707</u>	<u>3,236,446</u>
CAPITAL AND RESERVES			
Called up share capital	15	100,000	100,000
Share premium	16	2,032,649	2,032,649
Profit and loss account	16	<u>676,058</u>	<u>1,103,797</u>
SHAREHOLDERS' FUNDS	20	<u>2,808,707</u>	<u>3,236,446</u>

ON BEHALF OF THE BOARD:


 T T Friedag - Director
 Approved by the Board on 21 Feb 2006

The Ryes School Limited

Cash Flow Statement
for the Year Ended 30 April 2005

	Notes	30.4.05 £	£	30.4.04 £	£
Net cash inflow from operating activities	1		745,463		1,113,587
Returns on investments and servicing of finance	2		7,569		37,799
Taxation			(3,596)		(119,950)
Capital expenditure	2		73,781		(286,434)
Equity dividends paid			-		(419,000)
			823,217		326,002
Financing	2		(1,079,905)		(860,963)
Decrease in cash in the period			(256,688)		(534,961)
<hr/>					
Reconciliation of net cash flow to movement in net funds	3				
Decrease in cash in the period		(256,688)		(534,961)	
Cash inflow from increase in debt and lease financing		(7,018)		(38,176)	
Change in net funds resulting from cash flows			(263,706)		(573,137)
Movement in net funds in the period			(263,706)		(573,137)
Net funds at 1 May			417,680		990,817
Net funds at 30 April			153,974		417,680

Notes to the Cash Flow Statement
for the Year Ended 30 April 2005

1. **RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	30.4.05 £	30.4.04 £
Operating profit	65,406	521,848
Depreciation charges	131,213	89,135
(Profit)/Loss on disposal of fixed assets	(114,303)	1,131
Increase in stocks	(54)	(90)
Decrease/(Increase) in debtors	217,358	(36,083)
Increase in creditors	<u>445,843</u>	<u>537,646</u>
Net cash inflow from operating activities	<u><u>745,463</u></u>	<u><u>1,113,587</u></u>

2. **ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	30.4.05 £	30.4.04 £
Returns on investments and servicing of finance		
Interest received	11,212	39,263
Interest paid	(230)	(105)
Interest element of hire purchase payments	<u>(3,413)</u>	<u>(1,359)</u>
Net cash inflow for returns on investments and servicing of finance	<u><u>7,569</u></u>	<u><u>37,799</u></u>
Capital expenditure		
Purchase of tangible fixed assets	(218,258)	(289,073)
Sale of tangible fixed assets	<u>292,039</u>	<u>2,639</u>
Net cash inflow/(outflow) for capital expenditure	<u><u>73,781</u></u>	<u><u>(286,434)</u></u>
Financing		
Capital repayments in year	7,018	38,176
Exceptional Item	-	(174,611)
Loans to group members	<u>(1,086,923)</u>	<u>(724,528)</u>
Net cash outflow from financing	<u><u>(1,079,905)</u></u>	<u><u>(860,963)</u></u>

The Ryes School Limited

Notes to the Cash Flow Statement
for the Year Ended 30 April 2005

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.5.04 £	Cash flow £	At 30.4.05 £
Net cash:			
Cash at bank and in hand	<u>455,856</u>	<u>(256,688)</u>	<u>199,168</u>
	<u>455,856</u>	<u>(256,688)</u>	<u>199,168</u>
Debt:			
Hire purchase	<u>(38,176)</u>	<u>(7,018)</u>	<u>(45,194)</u>
	<u>(38,176)</u>	<u>(7,018)</u>	<u>(45,194)</u>
Total	<u>417,680</u>	<u>(263,706)</u>	<u>153,974</u>

Notes to the Financial Statements
for the Year Ended 30 April 2005

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 vehicles	- 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.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

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**

	30.4.05	30.4.04
	£	£
Wages and salaries	4,336,240	2,647,901
Social security costs	34,739	27,299
Other pension costs	92,205	60,266
	<u>4,463,184</u>	<u>2,735,466</u>

Notes to the Financial Statements - continued
for the Year Ended 30 April 2005

2. **STAFF COSTS - continued**

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

	30.4.05	30.4.04
Education and care	206	160
Administration	<u>47</u>	<u>45</u>
	<u>253</u>	<u>205</u>

3. **OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

	30.4.05	30.4.04
	£	£
Hire of plant and machinery	8,108	2,754
Depreciation - owned assets	119,226	82,132
Depreciation - assets on hire purchase contracts	11,987	7,004
(Profit)/Loss on disposal of fixed assets	(114,303)	1,131
Auditors' remuneration	6,439	6,136
Foreign exchange differences	<u>(1,725)</u>	<u>-</u>
Directors' emoluments	289,933	288,128
Directors' pension contributions to money purchase schemes	<u>15,535</u>	<u>15,134</u>

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

Money purchase schemes	<u>6</u>	<u>6</u>
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Information regarding the highest paid director is as follows:

	30.4.05	30.4.04
	£	£
Emoluments etc	77,652	75,423
Pension contributions to money purchase schemes	<u>4,172</u>	<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**

	30.4.05	30.4.04
	£	£
Bank interest	230	105
Hire purchase	<u>3,413</u>	<u>1,359</u>
	<u>3,643</u>	<u>1,464</u>

6. TAXATION

Analysis of the tax charge

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

	30.4.05 £	30.4.04 £
Current tax:		
UK corporation tax	(1,232)	1,470
Underprovision in prior years	<u>1,946</u>	<u>680</u>
Total current tax	714	2,150
Deferred tax	-	<u>36,643</u>
Tax on profit on ordinary activities	<u>714</u>	<u>38,793</u>

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:

	30.4.05 £	30.4.04 £
Profit on ordinary activities before tax	<u>72,975</u>	<u>385,036</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2004 - 19%)	13,865	73,157
Effects of:		
Prior year taxation	1,946	680
Group relief received	<u>(15,097)</u>	<u>(71,687)</u>
Current tax charge	<u>714</u>	<u>2,150</u>

7. DIVIDENDS

	30.4.05 £	30.4.04 £
Equity shares:		
Interim dividends ordinary shares	<u>500,000</u>	<u>419,000</u>

Notes to the Financial Statements - continued
for the Year Ended 30 April 2005

8. TANGIBLE FIXED ASSETS

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
COST					
At 1 May 2004	2,876,327	332,402	113,237	113,050	3,435,016
Additions	13,373	132,092	55,820	16,973	218,258
Disposals	<u>(167,880)</u>	<u>(414)</u>	<u>(427)</u>	<u>(30,558)</u>	<u>(199,279)</u>
At 30 April 2005	<u>2,721,820</u>	<u>464,080</u>	<u>168,630</u>	<u>99,465</u>	<u>3,453,995</u>
DEPRECIATION					
At 1 May 2004	164,948	94,390	45,926	49,259	354,523
Charge for year	27,145	70,365	18,975	14,728	131,213
Eliminated on disposal	<u>(6,715)</u>	<u>(176)</u>	<u>-</u>	<u>(14,652)</u>	<u>(21,543)</u>
At 30 April 2005	<u>185,378</u>	<u>164,579</u>	<u>64,901</u>	<u>49,335</u>	<u>464,193</u>
NET BOOK VALUE					
At 30 April 2005	<u>2,536,442</u>	<u>299,501</u>	<u>103,729</u>	<u>50,130</u>	<u>2,989,802</u>
At 30 April 2004	<u>2,711,379</u>	<u>238,012</u>	<u>67,311</u>	<u>63,791</u>	<u>3,080,493</u>

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

	Plant and machinery £	Motor vehicles £	Totals £
COST			
At 1 May 2004	48,247	7,600	55,847
Additions	<u>24,578</u>	<u>-</u>	<u>24,578</u>
At 30 April 2005	<u>72,825</u>	<u>7,600</u>	<u>80,425</u>
DEPRECIATION			
At 1 May 2004	5,737	1,267	7,004
Charge for year	<u>10,404</u>	<u>1,583</u>	<u>11,987</u>
At 30 April 2005	<u>16,141</u>	<u>2,850</u>	<u>18,991</u>
NET BOOK VALUE			
At 30 April 2005	<u>56,684</u>	<u>4,750</u>	<u>61,434</u>
At 30 April 2004	<u>42,510</u>	<u>6,333</u>	<u>48,843</u>

9. STOCKS

	30.4.05	30.4.04
	£	£
Stocks	<u>2,778</u>	<u>2,724</u>

Notes to the Financial Statements - continued
for the Year Ended 30 April 2005

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30.4.05	30.4.04
	£	£
Trade debtors	604,231	806,957
Amounts owed by group undertakings	1,651,980	1,045,561
Other debtors	14,363	47,662
Tax	1,232	-
Prepayments and accrued income	48,820	30,153
	<u>2,320,626</u>	<u>1,930,333</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30.4.05	30.4.04
	£	£
Hire purchase contracts (see note 13)	24,472	17,280
Trade creditors	163,301	65,943
Amounts owed to group undertakings	19,497	-
Tax	(180)	1,470
Social security and other taxes	117,643	88,671
Other creditors	18,866	5,671
Fees in advance	2,088,000	1,812,298
Pension contributions payable	-	12,328
Accrued expenses	202,477	159,533
	<u>2,634,076</u>	<u>2,163,194</u>

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

	30.4.05	30.4.04
	£	£
Hire purchase contracts (see note 13)	<u>20,722</u>	<u>20,896</u>

13. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

	Hire purchase contracts	
	30.4.05	30.4.04
	£	£
Gross obligations repayable:		
Within one year	28,006	19,585
Between one and five years	<u>23,429</u>	<u>23,702</u>
	<u>51,435</u>	<u>43,287</u>
Finance charges repayable:		
Within one year	3,534	2,305
Between one and five years	<u>2,707</u>	<u>2,806</u>
	<u>6,241</u>	<u>5,111</u>
Net obligations repayable:		
Within one year	24,472	17,280
Between one and five years	<u>20,722</u>	<u>20,896</u>
	<u>45,194</u>	<u>38,176</u>

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

	Other operating leases	
	30.4.05	30.4.04
	£	£
Expiring:		
In more than five years	<u>-</u>	<u>3,389</u>

14. PROVISIONS FOR LIABILITIES AND CHARGES

	30.4.05	30.4.04
	£	£
Deferred tax	<u>48,869</u>	<u>48,869</u>
		Deferred tax
		£
Balance at 1 May 2004		48,869
Timing differences		
Change in rate of taxation		<u>-</u>
Balance at 30 April 2005		<u>48,869</u>

Notes to the Financial Statements - continued
for the Year Ended 30 April 2005

15. CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid:

Number:	Class:	Nominal value:	30.4.05	30.4.04
		£1	£	£
100,000	Ordinary		<u>100,000</u>	<u>100,000</u>

16. RESERVES

	Profit and loss account	Share premium	Totals
	£	£	£
At 1 May 2004	1,103,797	2,032,649	3,136,446
Deficit for the year	<u>(427,739)</u>	<u>-</u>	<u>(427,739)</u>
At 30 April 2005	<u>676,058</u>	<u>2,032,649</u>	<u>2,708,707</u>

17. 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.

18. TRANSACTIONS WITH DIRECTORS

The following loan to directors subsisted during the year ended 30 April 2005:

J R Pester

	£
Balance outstanding at start of year	-
Balance outstanding at end of year	3,273
Maximum balance outstanding during year	<u>5,673</u>

19. RELATED PARTY DISCLOSURES

At the 30 April 2004 the company was owed £2,147,546 (2004 £1,045,456) by its parent RSO Limited.

The company was owed or owed the following amounts to other members of the RSO group of companies.

	2005	2004
	£	£
Kesgrave Enterprises Limited	-19,497	0
RSO Training Limited	4434	0

20. **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	30.4.05	30.4.04
	£	£
Profit for the financial year	72,261	346,243
Dividends	<u>(500,000)</u>	<u>(419,000)</u>
Net reduction of shareholders' funds	(427,739)	(72,757)
Opening shareholders' funds	<u>3,236,446</u>	<u>3,309,203</u>
Closing shareholders' funds	<u>2,808,707</u>	<u>3,236,446</u>
 Equity interests	 <u>2,808,707</u>	 <u>3,236,446</u>

21. **CONTROL**

The parent company RSO Limited is controlled by the directors of The Ryes School Limited.