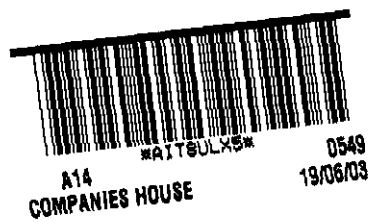


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**CAMBRIDGE EDUCATION GROUP LIMITED**

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**DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2002**



# **CAMBRIDGE EDUCATION GROUP LIMITED**

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## **COMPANY INFORMATION**

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<b>DIRECTORS</b>	N P D Golding (Chief Executive) E R Armstrong A M Florence G F Stanger R W Umney R M Williamson Dr J R Williamson R A Woolf S L Lothian P Stott A D Barnes M S El Mahrouki
<b>SECRETARY</b>	G Stanfield
<b>COMPANY NUMBER</b>	2354796
<b>REGISTERED OFFICE</b>	3rd Floor Sidney House Sussex Street Cambridge CB1 1PE
<b>AUDITORS</b>	Imray & Co. Chartered Accountants & Registered Auditors 38 Station Road Cambridge CB1 2JH
<b>BANKERS</b>	National Westminster Bank Plc Cambridge Business Centre Carlyle House Carlyle Road Cambridge CB4 3DH

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Consolidated profit and loss account	5
Consolidated balance sheet	6
Company balance sheet	7
Consolidated cash flow statement	8
Notes forming part of the financial statements	9 - 25

**DIRECTORS' REPORT**  
**For the year ended 31 December 2002**

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The directors present their report and the financial statements for the year ended 31 December 2002.

**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 group and of the profit or loss of the group 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 group 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS**

The group's principal activities during the year were the provision of academic and language programmes through the following operations :

Cambridge Arts & Sciences	- GCSE and A-Level studies
Cambridge School of Art & Design	- Art Foundation Programmes
Stafford House College	- GCSE, A-Level and academic foundation programmes
Stafford House Study Holidays	- Nationwide summer EFL programmes
Stafford House School of English	- Year round EFL programmes
English in Action	- Year round worldwide EFL courses

As expected, the group returned to profitability in 2002, due principally to improved 'like for like' revenue. Growth was driven by the development expenditure of the current and earlier years. In future, it will be further supported by the enhanced teaching and accommodation facilities which are evidenced by the group's significant capital expenditure during the current year.

**RESULTS AND DIVIDENDS**

The profit for the year, after taxation, amounted to £228,502 (2001 - Loss £388,399) .

The directors do not recommend the payment of a final dividend.

Interim dividends totalling £83,030 were paid during the year (2001:£63,175).

# CAMBRIDGE EDUCATION GROUP LIMITED

## DIRECTORS' REPORT For the year ended 31 December 2002

### DIRECTORS

The directors who served during the year and their beneficial interests in the company's issued share capital were:

	Ordinary shares of 10p each		'A' Ordinary shares of 10p each	
	<u>31/12/02</u>	<u>1/1/02</u>	<u>31/12/02</u>	<u>1/1/02</u>
N P D Golding (Chief Executive)	47,382	47,382	-	-
E R Armstrong	45,309	45,309	-	-
A M Florence	45,309	45,309	-	-
G F Stanger	-	-	-	-
R W Umney	-	-	-	-
R M Williamson	-	-	5,750	5,750
Dr J R Williamson	-	-	5,750	5,750
R A Woolf	-	-	4,000	4,000
S L Lothian	-	-	-	-
P Stott	-	-	10,000	10,000
A D Barnes	-	-	-	-
M S El Mahrouki	-	-	-	-

### LAND AND BUILDINGS

In the opinion of the directors, the market values of the company's freehold properties remain greater than the book values.

### AUDITORS

The auditors, Imray & Co., will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on 18 June 2003 and signed on its behalf.

  
N P D Golding  
Director

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CAMBRIDGE EDUCATION GROUP LIMITED**

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We have audited the financial statements of Cambridge Education Group Limited for the year ended 31 December 2002 set out on pages 5 to 25. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 9 to 10.

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 auditor's 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 the Statement of Directors' Responsibilities 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 Directors' Report is not consistent with the financial statements, if the group 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 and other members of the Group is not disclosed.

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

**BASIS OF AUDIT OPINION**

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

**CAMBRIDGE EDUCATION GROUP LIMITED**

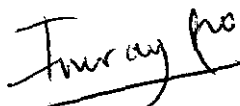
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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CAMBRIDGE EDUCATION GROUP  
LIMITED**

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**OPINION**

In our opinion the financial statements give a true and fair view of the state of the affairs of the company and the group as at 31 December 2002 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985, as amended.



**Imray & Co.**

Chartered Accountants  
& Registered Auditors  
38 Station Road  
Cambridge  
CB1 2JH

18 June 2003

**CAMBRIDGE EDUCATION GROUP LIMITED**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
For the year ended 31 December 2002

		<b>12 months ended 31 December 2002 £</b>	<i>16 months ended 31 December 2001 £</i>
<b>TURNOVER</b>	<b>Note</b>		
	1,2	<b>12,071,357</b>	11,702,205
Cost of sales		<b>(7,166,897)</b>	(6,976,990)
<b>GROSS PROFIT</b>		<b>4,904,460</b>	4,725,215
Administrative expenses		<b>(4,496,236)</b>	(5,043,528)
<b>OPERATING PROFIT/(LOSS)</b>	<b>3</b>	<b>408,224</b>	(318,313)
Interest receivable		<b>45,091</b>	20,498
Interest payable	<b>6</b>	<b>(145,529)</b>	(168,896)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>307,786</b>	(466,711)
<b>TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES</b>	<b>7</b>	<b>(79,284)</b>	78,312
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>228,502</b>	(388,399)
<b>DIVIDENDS</b>	<b>8</b>	<b>(83,030)</b>	(63,175)
<b>RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>	<b>18</b>	<b>£ 145,472</b>	£ (451,574)

All amounts relate to continuing operations.

There were no recognised gains and losses for 2002 or 2001 other than those included in the profit and loss account.

The notes on pages 9 to 25 form part of these financial statements.

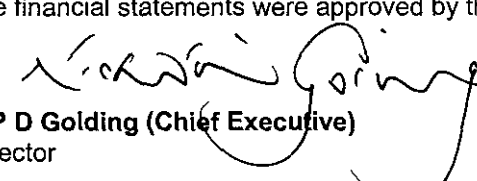


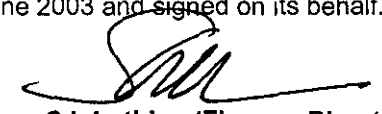
**CAMBRIDGE EDUCATION GROUP LIMITED**

**CONSOLIDATED BALANCE SHEET**  
As at 31 December 2002

	Note	31 December 2002		31 December 2001	
		£	£	£	£
<b>FIXED ASSETS</b>					
Intangible fixed assets	9	497,083		528,079	
Tangible fixed assets	10	3,830,733		3,159,693	
Investments	11	1,802		1,802	
		<u>4,329,618</u>		<u>3,689,574</u>	
<b>CURRENT ASSETS</b>					
Stocks	12	93,540		73,471	
Debtors	13	2,700,868		2,920,393	
Cash at bank and in hand		2,240,026		1,476,316	
		<u>5,034,434</u>		<u>4,470,180</u>	
<b>CREDITORS:</b> amounts falling due within one year	14	<u>(7,156,437)</u>		<u>(6,369,277)</u>	
<b>NET CURRENT LIABILITIES</b>		<u>(2,122,003)</u>		<u>(1,899,097)</u>	
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,207,615</u>		<u>1,790,477</u>	
<b>CREDITORS:</b> amounts falling due after more than one year	15	<u>(1,518,085)</u>		<u>(1,272,350)</u>	
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>					
Deferred taxation	16	<u>(48,788)</u>		<u>(22,857)</u>	
<b>NET ASSETS</b>		<u>£ 640,742</u>		<u>£ 495,270</u>	
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17	18,050		18,050	
Share premium account	18	266,062		266,062	
Profit and loss account	18	356,630		211,158	
<b>SHAREHOLDERS' FUNDS - ALL EQUITY</b>	19	<u>£ 640,742</u>		<u>£ 495,270</u>	

The financial statements were approved by the board on 18 June 2003 and signed on its behalf.

  
**N P D Golding (Chief Executive)**  
Director

  
**S L Lothian (Finance Director)**  
Director

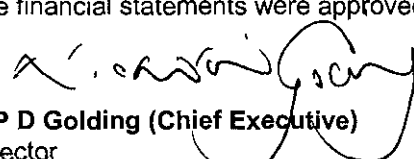
The notes on pages 9 to 25 form part of these financial statements.

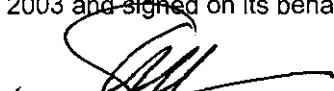
**CAMBRIDGE EDUCATION GROUP LIMITED**

**COMPANY BALANCE SHEET**  
As at 31 December 2002

		<b>31 December 2002</b>		<b>31 December 2001</b>	
	<b>Note</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>FIXED ASSETS</b>					
Tangible fixed assets	10	2,977,888		2,575,271	
Investments	11	1,595,374		1,595,374	
		<u>4,573,262</u>		<u>4,170,645</u>	
<b>CURRENT ASSETS</b>					
Debtors	13	52,664		52,928	
Cash at bank		2,083,367		1,396,238	
		<u>2,136,031</u>		<u>1,449,166</u>	
<b>CREDITORS:</b> amounts falling due within one year	14	<u>(4,669,039)</u>		<u>(3,748,240)</u>	
<b>NET CURRENT LIABILITIES</b>		<u>(2,533,008)</u>		<u>(2,299,074)</u>	
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,040,254</u>		<u>1,871,571</u>	
<b>CREDITORS:</b> amounts falling due after more than one year	15	(1,441,779)		(1,272,349)	
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>					
Deferred taxation	16	25,960		7,495	
<b>NET ASSETS</b>		<u>£ 572,515</u>		<u>£ 591,727</u>	
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17	18,050		18,050	
Share premium account	18	266,062		266,062	
Profit and loss account	18	288,403		307,615	
<b>SHAREHOLDERS' FUNDS - All Equity</b>	19	<u>£ 572,515</u>		<u>£ 591,727</u>	

The financial statements were approved by the board on 18 June 2003 and signed on its behalf.

  
**N P D Golding (Chief Executive)**  
Director

  
**S L Lothian (Finance Director)**  
Director

The notes on pages 9 to 25 form part of these financial statements.

**CAMBRIDGE EDUCATION GROUP LIMITED**

**CASH FLOW STATEMENT**  
For the year ended 31 December 2002

	<b>Note</b>	<b>12 months ended 31 December 2002 £</b>	<b>16 months ended 31 December 2001 £</b>
Net cash flow from operating activities	20	1,732,084	1,186,922
Returns on investments and servicing of finance	21	(100,438)	(148,398)
Taxation		(1,174)	44,564
Capital expenditure and financial investment	21	(603,691)	(481,722)
Equity dividends paid		(83,030)	(63,175)
<b>CASH INFLOW BEFORE FINANCING</b>		<b>943,751</b>	<b>538,191</b>
Financing	21	(109,368)	(314,263)
<b>INCREASE IN CASH IN THE YEAR</b>		<b>£ 834,383</b>	<b>£ 223,928</b>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (NOTE 22)**  
For the year ended 31 December 2002

	<b>12 months ended 31 December 2002 £</b>	<b>16 months ended 31 December 2001 £</b>
Increase in cash in the year	834,383	223,928
Cash decrease from decrease in debt and lease financing	109,368	314,263
<b>CHANGE IN NET DEBT RESULTING FROM CASH FLOWS</b>	<b>943,751</b>	<b>538,191</b>
New loans and finance lease	(385,928)	(322,718)
<b>MOVEMENT IN NET DEBT IN THE YEAR</b>	<b>557,823</b>	<b>215,473</b>
Net debt at 1 January 2002	(1,011,512)	(1,226,985)
<b>NET DEBT AT 31 DECEMBER 2002</b>	<b>£ (453,689)</b>	<b>£ (1,011,512)</b>

The notes on pages 9 to 25 form part of these financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2002**

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**1. ACCOUNTING POLICIES**

**1.1 Basis of preparation of financial statements**

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

**1.2 Basis of consolidation**

The financial statements consolidate the accounts of Cambridge Education Group Limited and all of its subsidiary undertakings ('subsidiaries').

**1.3 Investments**

**(i) Subsidiary Undertakings**

Share in subsidiaries are valued at cost less provision for any permanent impairment.

**(ii) Other investments**

Investments held as fixed assets are shown at cost less provisions for any permanent impairment.

**1.4 Turnover**

Turnover comprises the net invoiced value of services supplied by the group in respect of the year under review.

**1.5 Intangible fixed assets and amortisation**

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised over its estimated economic life.

**1.6 Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Improvements to leasehold property	- 5%	straight line
Motor Vehicles	- 25%	straight line
Fixtures & Fittings	- 15%	straight line
Office Equipment	- 20%	straight line

No depreciation is provided on freehold properties as these assets are maintained in a continual state of sound repair. Accordingly, the directors consider the useful economic lives of these assets are so long and the residual values are so high that any depreciation charges would be insignificant.

**1.7 Leasing and hire purchase**

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

**1.8 Operating leases**

Rentals applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor, are charged to the profit and loss account as incurred.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2002

**1.9 Stocks**

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

**1.10 Deferred taxation**

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date, except for gains on disposal of fixed assets which will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

**1.11 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 rates ruling on the transaction dates. Exchange differences are taken into account in arriving at the operating profit.

**1.12 Pensions**

The group makes payments by way of defined contributions to the personal pension plans of certain directors and staff members. The pension charge represents the aggregate amounts payable by the group to those plans in respect of the year.

**1.13 Deferred revenue**

Revenue arising during the year under review which relates to services that will not be supplied until a future accounting period is deferred in full, pending delivery of these services.

**2. TURNOVER**

The whole of the turnover is attributable to the principal activities of the group being the provision of academic and language programmes.

A geographical analysis of turnover is as follows:

	<b>12 months ended 31 December 2002 £</b>	<b>16 months ended 31 December 2001 £</b>
Sales - UK	11,377,064	11,142,749
Sales - Other EU	670,556	477,849
Sales - Rest of world	23,737	81,607
	<u>£12,071,357</u>	<u>£11,702,205</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2002

**3. OPERATING PROFIT/(LOSS)**

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

	12 months ended 31 December 2002 £	16 months ended 31 December 2001 £
Amortisation - intangible fixed assets	30,996	41,328
Depreciation of tangible fixed assets:		
- owned by the company	160,645	239,457
- held under finance leases	49,154	15,795
Auditors' remuneration	30,863	25,000
Operating lease rentals:		
- plant and machinery	22,660	21,216
- other operating leases	542,664	291,164
Difference on foreign exchange	(4,803)	9,111
	<u>          </u>	<u>          </u>

Auditors fees for the Company were £9,450 (2001:£7,000)

**4. STAFF COSTS**

Staff costs, including directors' remuneration, were as follows:

	12 months ended 31 December 2002 £	16 months ended 31 December 2001 £
Wages and salaries	3,093,583	2,762,046
Social security costs	247,487	207,287
Other pension costs	67,520	42,210
	<u>          </u>	<u>          </u>
	<u>£ 3,408,590</u>	<u>£ 3,011,543</u>

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

	12 months ended 31 December 2002 No.	16 months ended 31 December 2001 No.
Teaching and administration	<u>219</u>	<u>204</u>

**CAMBRIDGE EDUCATION GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2002

**5. DIRECTORS' REMUNERATION**

	<b>12 months ended 31 December 2002 £</b>	<b>16 months ended 31 December 2001 £</b>
Emoluments	<b>£ 362,308</b>	<b>£ 411,933</b>
Company pension contributions to money purchase pension schemes	<b>£ 24,350</b>	<b>£ 27,918</b>

During the year retirement benefits were accruing to 5 directors (2001 - 5) in respect of money purchase pension schemes.

The highest paid director received remuneration of £122,405 (2001 - £120,193).

The value of the company's contributions paid to a money purchase pension scheme in respect of the highest paid director amounted to £9,079 (2001 - £8,220).

**6. INTEREST PAYABLE**

	<b>12 months ended 31 December 2002 £</b>	<b>16 months ended 31 December 2001 £</b>
On bank loans and overdrafts	<b>107,696</b>	<b>95,651</b>
On other loans	<b>20,772</b>	<b>64,260</b>
On finance leases and hire purchase contracts	<b>17,061</b>	<b>8,985</b>
	<b>£ 145,529</b>	<b>£ 168,896</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2002

**7. TAXATION**

	12 months ended 31 December 2002 £	16 months ended 31 December 2001 £
<b>Analysis of tax charge/(credit) in year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax charge/(credit) on profit/(loss) of the year	51,943	(75,428)
Adjustments in respect of prior periods	1,410	20,181
<b>Total current tax</b>	<u>53,353</u>	<u>(55,247)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	25,931	(23,065)
<b>Total deferred tax</b> (see note 16)	<u>25,931</u>	<u>(23,065)</u>
<b>Tax on profit/(loss) on ordinary activities</b>	<u>£ 79,284</u>	<u>£ (78,312)</u>

**Factors affecting tax charge for year**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	12 months ended 31 December 2002 £	16 months ended 31 December 2001 £
Profit/(loss) on ordinary activities before tax	<u>307,786</u>	<u>(466,711)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001 - 30%)	92,336	(140,013)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	19,935	39,755
Capital allowances for period in excess of depreciation	(2,297)	(3,297)
Utilisation of tax losses	(40,909)	21,080
Rounding and variances in tax rates	(17,122)	7,047
Adjustments to tax charge in respect of prior periods	1,410	20,181
<b>Current tax charge/(credit) for year</b> (see note above)	<u>£ 53,353</u>	<u>£ (55,247)</u>

There were no factors that may affect future tax charges.



**CAMBRIDGE EDUCATION GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2002

**8. DIVIDENDS**

	<b>12 months ended 31 December 2002</b>	<b>16 months ended 31 December 2001</b>
	<b>£</b>	<b>£</b>
Total interim dividends paid	<b>£ 83,030</b>	<b>£ 63,175</b>

**9. INTANGIBLE FIXED ASSETS**

	<b>Goodwill £</b>
<b>Group Cost</b>	
At 1 January 2002 and 31 December 2002	<b>647,059</b>
<b>Amortisation</b>	
At 1 January 2002	<b>118,980</b>
Charge for the year	<b>30,996</b>
At 31 December 2002	<b>149,976</b>
<b>Net book value</b>	
At 31 December 2002	<b>£ 497,083</b>
At 31 December 2001	<b>£ 528,079</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2002

**10. TANGIBLE FIXED ASSETS**

	Land and buildings	Plant and machinery	Motor vehicles	Furniture, fittings and equipment	Total
Group	£	£	£	£	£
<b>Cost</b>					
At 1 January 2002	2,733,954	79,322	120,910	1,329,165	4,263,351
Additions	531,912	48,772	65,179	242,689	888,552
Disposals	-	-	(18,806)	(5,000)	(23,806)
At 31 December 2002	<u>3,265,866</u>	<u>128,094</u>	<u>167,283</u>	<u>1,566,854</u>	<u>5,128,097</u>
<b>Depreciation</b>					
At 1 January 2002	145,067	42,463	90,826	825,302	1,103,658
Charge for the year	12,674	24,090	21,955	151,080	209,799
On disposals	-	-	(11,363)	(4,730)	(16,093)
At 31 December 2002	<u>157,741</u>	<u>66,553</u>	<u>101,418</u>	<u>971,652</u>	<u>1,297,364</u>
<b>Net book value</b>					
At 31 December 2002	<u>£ 3,108,125</u>	<u>£ 61,541</u>	<u>£ 65,865</u>	<u>£ 595,202</u>	<u>£ 3,830,733</u>
At 31 December 2001	<u>£ 2,588,887</u>	<u>£ 36,859</u>	<u>£ 30,084</u>	<u>£ 503,863</u>	<u>£ 3,159,693</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2002	2001
Group	£	£
Motor vehicles	62,743	17,975
Furniture, fittings and equipment	131,858	6,317
	<u>£ 194,601</u>	<u>£ 24,292</u>

At 31 December 2002, the net book value of land and buildings includes £2,868,678 relating to freehold land and buildings and £239,447 relating to long term leasehold land and buildings.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2002

<b>Company</b>	<b>Land and buildings</b>	<b>Motor vehicles</b>	<b>Furniture, fittings and equipment</b>	<b>Total</b>
	£	£	£	£
<b>Cost</b>				
At 1 January 2002	2,668,395	-	76,185	2,744,580
Additions	391,570	39,284	-	430,854
At 31 December 2002	<u>3,059,965</u>	<u>39,284</u>	<u>76,185</u>	<u>3,175,434</u>
<b>Depreciation</b>				
At 1 January 2002	141,021	-	28,288	169,309
Charge for the year	3,345	9,821	15,071	28,237
At 31 December 2002	<u>144,366</u>	<u>9,821</u>	<u>43,359</u>	<u>197,546</u>
<b>Net book value</b>				
At 31 December 2002	<u>£ 2,915,599</u>	<u>£ 29,463</u>	<u>£ 32,826</u>	<u>£ 2,977,888</u>
At 31 December 2001	<u>£ 2,527,374</u>	<u>£ -</u>	<u>£ 47,897</u>	<u>£ 2,575,271</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

<b>Company</b>	<b>2002</b>	<b>2001</b>
	£	£
Motor vehicles	<u>£ 29,463</u>	<u>£ -</u>

At 31 December 2002 the net book value of land and buildings includes £2,868,678 relating to freehold land and buildings and £46,921 relating to long term leasehold land and buildings.

# 11. FIXED ASSET INVESTMENTS

<b>Group</b>	<b>Listed invest- ments</b>	<b>Total</b>
	£	£
<b>Cost</b>		
At 1 January 2002 and 31 December 2002	<u>£ 1,802</u>	<u>£ 1,802</u>

## Listed investments

The market value of the listed investments at 31 December 2002 was £1,791 (2001 - £3,184) .

**CAMBRIDGE EDUCATION GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2002

	Share in group under- takings £	Sub total carried forward £
<b>Company</b>		
<b>Cost or valuation</b>		
At 1 January 2002 and 31 December 2002	<u>£ 1,593,572</u>	<u>£ 1,593,572</u>

	Sub total brought forward £	Listed investment s £	Total £
<b>Company</b>			
<b>Cost</b>			
At 1 January 2002 and 31 December 2002	<u>£ 1,593,572</u>	<u>£ 1,802</u>	<u>£ 1,595,374</u>

**Listed investments**

The market value of the listed investments at 31 December 2002 was £1,791 (2001 - £3,184) .

**12. STOCKS**

	<u>Group</u>		<u>Company</u>	
	2002	2001	2002	2001
	£	£	£	£
Consumable items	<u>£ 93,540</u>	<u>£ 73,471</u>	<u>£ -</u>	<u>£ -</u>

**13. DEBTORS**

	<u>Group</u>		<u>Company</u>	
	2002	2001	2002	2001
	£	£	£	£
<b>Due within one year</b>				
Trade debtors	2,192,916	2,242,023	-	-
Other debtors	176,008	146,157	39,850	17,692
Prepayments and accrued income	331,944	532,213	12,814	35,236
	<u>£ 2,700,868</u>	<u>£ 2,920,393</u>	<u>£ 52,664</u>	<u>£ 52,928</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2002

**14. CREDITORS:**  
Amounts falling due within one year

	<u>Group</u>		<u>Company</u>	
	2002	2001	2002	2001
	£	£	£	£
Bank loans and overdrafts(secured)	932,432	1,025,822	170,397	193,114
Other loans(secured)	180,000	180,000	180,000	180,000
Net obligations under finance leases and hire purchase contracts	63,197	9,655	11,134	-
Trade creditors	671,127	691,087	10,335	15,160
Amounts owed to group undertakings	-	-	4,210,344	3,317,865
Corporation tax	58,600	7,831	8,097	7,831
Social security and other taxes	94,171	80,153	14,545	20,109
Accruals and other creditors	972,944	575,486	64,187	14,161
Deferred income	4,183,966	3,799,243	-	-
	<u>£ 7,156,437</u>	<u>£ 6,369,277</u>	<u>£ 4,669,039</u>	<u>£ 3,748,240</u>

**CAMBRIDGE EDUCATION GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2002

**15. CREDITORS:**  
**Amounts falling due after more than one year**

	<u>Group</u>		<u>Company</u>	
	2002	2001	2002	2001
	£	£	£	£
Bank loans (secured)	1,250,209	922,350	1,250,209	922,349
Other loans(secured)	170,000	350,000	170,000	350,000
Net obligations under finance leases and hire purchase contracts	97,876	-	21,570	-
	<u>£ 1,518,085</u>	<u>£ 1,272,350</u>	<u>£ 1,441,779</u>	<u>£ 1,272,349</u>

Included within the above are amounts falling due as follows:

	<u>Group</u>		<u>Company</u>	
	2002	2001	2002	2001
	£	£	£	£
<b>Between one and two years</b>				
Bank loans	180,870	193,111	180,870	193,111
Other loans	170,000	350,000	170,000	350,000
Hire purchase contracts	88,288	-	11,982	-
	<u>539,158</u>	<u>543,111</u>	<u>362,852</u>	<u>543,111</u>
<b>Between two and five years</b>				
Bank loans	554,025	341,450	554,025	341,449
Hire purchase contracts	9,588	-	9,588	-
	<u>563,613</u>	<u>341,450</u>	<u>563,613</u>	<u>341,449</u>
<b>Over five years</b>				
Bank loans	515,314	387,789	515,314	387,789
	<u>515,314</u>	<u>387,789</u>	<u>515,314</u>	<u>387,789</u>

Creditors include amounts not wholly repayable within 5 years as follows:

	<u>Group</u>		<u>Company</u>	
	2002	2001	2002	2001
	£	£	£	£
Repayable by instalments	<u>£ 515,314</u>	<u>£ 387,789</u>	<u>£ 515,314</u>	<u>£ 387,789</u>

The group's and company's indebtedness to National Westminster Bank Plc is secured by a fixed and floating charge over the group's undertakings, property and assets. There is a cross guarantee between the company and its subsidiaries in respect of the net bank loans and overdrafts which at 31 December 2002 amounted to £292,857 (2001:£551,933).

Interest is payable on bank loans and overdrafts at bank base rate plus 2%.

**CAMBRIDGE EDUCATION GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2002

Obligations under finance leases and hire purchase contracts, included above, are payable as follows:

	<u>Group</u>		<u>Company</u>	
	2002	2001	2002	2001
	£	£	£	£
Between two and five years	£ 97,876	£ -	£ 21,570	£ -

**16. DEFERRED TAXATION**

	<u>Group</u>		<u>Company</u>	
	2002	2001	2002	2001
	£	£	£	£
At 1 January 2002	22,857	45,922	7,495	25,261
Charge for/(released during) the year	25,931	(23,065)	18,465	(17,766)
At 31 December 2002	£ 48,788	£ 22,857	£ 25,960	£ 7,495

The provision for deferred taxation is made up as follows:

	<u>Group</u>		<u>Company</u>	
	2002	2001	2002	2001
	£	£	£	£
Accelerated capital allowances	61,020	58,723	25,960	27,161
Tax losses	(12,232)	(35,866)	-	(19,666)
	£ 48,788	£ 22,857	£ 25,960	£ 7,495

**17. SHARE CAPITAL**

	2002	2001
	£	£
<b>Authorised, allotted, called up and fully paid</b>		
138,000 Ordinary shares of 10p each	13,800	13,800
42,500 'A' Ordinary shares of 10p each	4,250	4,250
	£ 18,050	£ 18,050

**18. RESERVES**

	Share premium account £	Profit and loss account £
<b>Group</b>		
At 1 January 2002	266,062	211,158
Profit retained for the year	-	145,472
At 31 December 2002	£ 266,062	£ 356,630

**CAMBRIDGE EDUCATION GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2002

	Share premium account £	Profit and loss account £
<b>Company</b>		
At 1 January 2002	266,062	307,615
Profit retained for the year	-	(19,212)
	<u>266,062</u>	<u>(19,212)</u>
At 31 December 2002	<u>£ 266,062</u>	<u>£ 288,403</u>

**19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	2002 £	2001 £
<b>Group</b>		
Profit/(loss) for the year	228,502	(388,399)
Dividends	(83,030)	(63,175)
	<u>145,472</u>	<u>(451,574)</u>
Opening shareholders' funds	495,270	946,844
Closing shareholders' funds	<u>£ 640,742</u>	<u>£ 495,270</u>
	2002	2001
<b>Company</b>	£	£
Profit/(loss) for the year	63,818	(241,151)
Dividends	(83,030)	(63,175)
	<u>(19,212)</u>	<u>(304,326)</u>
Opening shareholders' funds	591,727	896,053
Closing shareholders' funds	<u>£ 572,515</u>	<u>£ 591,727</u>

The company has taken advantage of the exemption contained within section 230 of the Companies Act 1985 not to present its own profit and loss account.

The profit/(loss) for the year dealt with in the accounts of the company was £63,818 (2001 - £(241,151)).



**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2002

**20. NET CASH FLOW FROM OPERATING ACTIVITIES**

	12 months ended 31 December 2002 £	16 months ended 31 December 2001 £
Operating profit/(loss)	408,224	(318,313)
Amortisation of intangible fixed assets	30,996	41,328
Depreciation of tangible fixed assets	209,799	255,252
Profit on disposal of tangible fixed assets	(2,683)	(14,379)
Increase in stocks	(20,069)	(28,791)
Decrease/(increase) in debtors	218,115	(1,285,726)
Increase in creditors	887,702	2,537,550
<b>NET CASH INFLOW FROM OPERATIONS</b>	<b>£ 1,732,084</b>	<b>£ 1,186,921</b>

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

	12 months ended 31 December 2002 £	16 months ended 31 December 2001 £
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		
Interest received	45,091	20,498
Interest paid	(128,468)	(159,911)
Hire purchase interest	(17,061)	(8,985)
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	<b>£ (100,438)</b>	<b>£ (148,398)</b>
	12 months ended 31 December 2002 £	16 months ended 31 December 2001 £
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>		
Purchase of tangible fixed assets	(614,087)	(510,022)
Sale of tangible fixed assets	10,396	28,300
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE</b>	<b>£ (603,691)</b>	<b>£ (481,722)</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2002

	12 months ended 31 December 2002 £	16 months ended 31 December 2001 £
<b>FINANCING</b>		
New secured loans	420,000	-
Repayment of loans	(232,320)	(110,356)
Repayment of other loans	(180,000)	(180,000)
Repayment of finance leases	(117,048)	(23,907)
<b>NET CASH OUTFLOW FROM FINANCING</b>	<b>£ (109,368)</b>	<b>£ (314,263)</b>

**22. ANALYSIS OF CHANGES IN NET DEBT**

	1 January 2002 £	Cash flow £	Other non-cash changes £	31 December 2002 £
Cash at bank and in hand:	1,476,316	763,710	-	2,240,026
Bank overdraft	(832,708)	70,673	-	(762,035)
	<u>643,608</u>	<u>834,383</u>	<u>-</u>	<u>1,477,991</u>
<b>DEBT :</b>				
Finance leases	(9,656)	117,048	(268,465)	(161,073)
Debts due within one year	(373,114)	(7,680)	30,397	(350,397)
Debts falling due after more than one year	(1,272,350)	-	(147,860)	(1,420,210)
	<u>(1,655,120)</u>	<u>109,368</u>	<u>(385,928)</u>	<u>(1,913,680)</u>
<b>NET DEBT</b>	<b>£ (1,011,512)</b>	<b>£ 943,751</b>	<b>£ (385,928)</b>	<b>£ (453,689)</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2002

**23. OPERATING LEASE COMMITMENTS**

At 31 December 2002 the group had annual commitments under non-cancellable operating leases as follows:

Group	Land and buildings		2002	Other
	2002	2001		
	£	£	£	£
<b>Expiry date:</b>				
Within 1 year	348,768	87,560	-	-
Between 2 and 5 years	93,400	201,936	12,840	9,700
After more than 5 years	102,692	87,962	10,084	10,084
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

At 31 December 2002 the company had annual commitments under non-cancellable operating leases as follows:

Company	Land and buildings		2002	Other
	2002	2001		
	£	£	£	£
<b>Expiry date:</b>				
Within 1 year	348,768	87,560	-	-
Between 2 and 5 years	88,400	196,936	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**24. TRANSACTIONS WITH DIRECTORS**

During the year consultancy fees were paid in respect of services provided by businesses linked to the following directors

The amounts below are stated inclusive of VAT:-

R A Woolf	- Richard Woolf and Associates	£21,084 (2001:£42,000)
S L Lothian	- Lothian Associates Limited	£52,053 (2001:£81,455)

During the year rentals of £98,942 (2001:£116,922) were paid to MSM Holdings Limited, a company in which M S El Mahrouki is a shareholder and director. Additionally, a group company received contributions of £137,134 (2001:£12,866) towards improvements being undertaken at a property which is leased by the group company from MSM Holdings Limited. Included in other creditors is a loan of £350,000 from MSM Holdings Limited; the maximum balance outstanding during the year was £530,000 and interest of £20,526 has been paid under the terms of the loan agreement.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2002**

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**25. PRINCIPAL SUBSIDIARIES****Principal subsidiaries**

<b>Company name</b>	<b>Country</b>	<b>Percentage Shareholding</b>	<b>Description</b>
Cambridge Arts & Sciences Limited	England and Wales	100	GCSE, A-Level and Art Foundation
Stafford House Tutorial College Limited	England and Wales	100	GCSE, A-Level, Art Foundation and year round EFL programmes
Stafford House Study Holidays Limited	England and Wales	100	Summer EFL Study Holiday Programmes
Stafford House Holdings Limited	England and Wales	100	Dormant
Cambridge School of Art & Design Limited	England and Wales	100	Dormant
Cambridge Study Holidays Limited	England and Wales	100	Dormant
Study Holidays Limited	England and Wales	100	Dormant