
CAMBRIDGE ARTS & SCIENCES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2003



CAMBRIDGE ARTS & SCIENCES LIMITED

COMPANY INFORMATION

DIRECTORS	N P D Golding E R Armstrong S L Lothian R A Woolf
SECRETARY	G Stanfield
COMPANY NUMBER	3454690
REGISTERED OFFICE	3rd Floor Sidney House Sussex Street Cambridge CB1 1PE
AUDITORS	Imray & Co. Chartered Accountants & Registered Auditors 38 Station Road Cambridge CB1 2JH
BANKERS	National Westminster Bank Plc Cambridge Business Centre Carlyle House Carlyle Road Cambridge CB4 3DH

CAMBRIDGE ARTS & SCIENCES LIMITED

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DIRECTORS' REPORT
For the year ended 31 December 2003

The directors present their report and the financial statements for the year ended 31 December 2003.

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.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The company's principal activity during the period was the provision of long term academic educational programmes.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £263,289 (2002 - £131,103) .

The directors do not recommend the payment of a dividend.

DIRECTORS

The directors who served during the year were:

N P D Golding
E R Armstrong
S L Lothian
R A Woolf

None of the directors had any direct interest in the company.

The interests of the directors in the ultimate parent undertaking, Cambridge Education Group Limited are shown in the report and financial statements of that company where applicable.

CAMBRIDGE ARTS & SCIENCES LIMITED

DIRECTORS' REPORT
For the year ended 31 December 2003

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 27 February 2004 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'N P D Golding', written in a cursive style.

N P D Golding
Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CAMBRIDGE ARTS & SCIENCES LIMITED

We have audited the financial statements of Cambridge Arts & Sciences Limited for the year ended 31 December 2003 set out on pages 5 to 13. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 7 to 8.

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 the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company 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 company's circumstances, consistently applied and adequately disclosed.

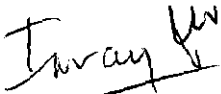
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

CAMBRIDGE ARTS & SCIENCES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CAMBRIDGE ARTS & SCIENCES
LIMITED

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Timray & Co.

Chartered Accountants
& Registered Auditors

38 Station Road
Cambridge
CB1 2JH

27/02/2004

CAMBRIDGE ARTS & SCIENCES LIMITED**PROFIT AND LOSS ACCOUNT**
For the year ended 31 December 2003

	Note	2003 £	2002 £
TURNOVER	1, 2	4,667,887	4,166,461
Cost of sales		<u>(2,375,070)</u>	<u>(2,191,518)</u>
GROSS PROFIT		2,292,817	1,974,943
Administrative expenses		<u>(1,912,946)</u>	<u>(1,794,495)</u>
OPERATING PROFIT	3	379,871	180,448
Interest receivable		<u>282</u>	<u>1,294</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		380,153	181,742
TAX ON PROFIT ON ORDINARY ACTIVITIES	6	<u>(116,864)</u>	<u>(50,639)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>£ 263,289</u>	<u>£ 131,103</u>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2003 or 2002 other than those included in the profit and loss account.

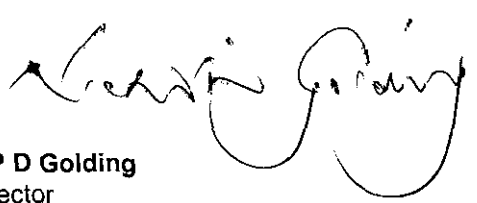
The notes on pages 7 to 13 form part of these financial statements.

CAMBRIDGE ARTS & SCIENCES LIMITED

BALANCE SHEET
As at 31 December 2003

	Note	2003 £	2002 £
FIXED ASSETS			
Tangible fixed assets	7	188,510	196,573
CURRENT ASSETS			
Stocks	8	39,500	40,799
Debtors	9	2,801,412	2,655,019
Cash in hand		512	112
		<u>2,841,424</u>	<u>2,695,930</u>
CREDITORS: amounts falling due within one year	10	<u>(2,610,021)</u>	<u>(2,735,879)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>231,403</u>	<u>(39,949)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>£ 419,913</u></u>	<u><u>£ 156,624</u></u>
CAPITAL AND RESERVES			
Called up share capital	12	2	2
Profit and loss account	13	419,911	156,622
SHAREHOLDERS' FUNDS - All Equity	14	<u><u>£ 419,913</u></u>	<u><u>£ 156,624</u></u>

The financial statements were approved by the board on 27 February 2004 and signed on its behalf.


N P D Golding
Director


S L Lothian
Director

The notes on pages 7 to 13 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2003

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 Turnover

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

1.3 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:

Long term Leasehold Property	-	5% straight line
Motor Vehicles	-	25% straight line
Fixtures & Fittings	-	15% straight line
Office equipment	-	20% straight line

1.4 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 account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.5 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 on the straight line basis over the lease term.

1.6 Stocks

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

1.7 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.

1.8 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 ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2003

1.9 Pensions

The company makes payments, by way of defined contributions, to the personal pension plans of certain staff members. The pension charge represents the aggregate amount payable by the company to those plans in respect of the year.

1.10 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. Some client requirements typically change post year end and, as a result, some deferred services are not in fact delivered. Experience suggests that the future impact of such cancellations is unlikely to exceed 10% of total deferred revenue at year end. Accordingly, a year end adjustment is made, at the level of 10% of deferred revenue, to take account of the likely impact of such post year end cancellations on both deferred revenue and trade debtors.

2. TURNOVER

The whole of the turnover is attributable to the principal activity of the company, being the provision of long term academic educational programmes.

All turnover arose within the United Kingdom.

3. OPERATING PROFIT

The operating profit is stated after charging:

	2003	2002
	£	£
Depreciation of tangible fixed assets:		
- owned by the company	55,410	65,271
Auditors' remuneration	7,600	9,500
Operating lease rentals:		
- Property licences	280,800	294,400
- other operating leases	674,247	420,168
- plant and machinery	9,464	7,748
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2003

4. STAFF COSTS

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

	2003 £	2002 £
Wages and salaries	1,350,112	1,344,484
Social security costs	83,870	80,580
Other pension costs	35,620	20,428
	<u>£ 1,469,602</u>	<u>£ 1,445,492</u>

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

	2003 No.	2002 No.
Teaching and administration	<u>100</u>	<u>103</u>

5. DIRECTORS' REMUNERATION

	2003 £	2002 £
Emoluments	<u>£ 65,336</u>	<u>£ 75,295</u>
Company pension contributions to money purchase pension schemes	<u>£ 5,850</u>	<u>£ 6,301</u>

During the year retirement benefits were accruing to one director (2002 - 1) in respect of money purchase pension schemes.

6. TAXATION

	2003 £	2002 £
Analysis of tax charge in year		
Current tax (see note below)		
UK corporation tax charge on profits of the year	128,000	50,500
Adjustments in respect of prior periods	(9,956)	-
Total current tax	<u>118,044</u>	<u>50,500</u>
Deferred tax		
Origination and reversal of timing differences	(1,180)	139
Total deferred tax (see note 11)	<u>(1,180)</u>	<u>139</u>
Tax on profit on ordinary activities	<u>£ 116,864</u>	<u>£ 50,639</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2003

Factors affecting tax charge for year

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

	2003 £	2002 £
Profit on ordinary activities before tax	<u>380,153</u>	<u>181,742</u>
Profit on ordinary activities multiplied by the relevant standard rate of corporation tax in the UK of 30% (2002 - 30%)	114,046	54,523
Effects of:		
Expenses not deductible for tax purposes	10,782	1,344
Capital allowances for period in excess of depreciation	(1,820)	(139)
Adjustments to tax charge in respect of prior periods	(9,956)	-
Rounding adjustments	1,992	(5,228)
Provisions	3,000	-
Current tax charge for year (see note above)	<u>£ 118,044</u>	<u>£ 50,500</u>

There were no factors that may affect future tax charges.

7. TANGIBLE FIXED ASSETS

	Long term leasehold property £	Motor vehicles £	Furniture, fittings and equipment £	Total £
Cost				
At 1 January 2003	36,928	30,161	762,030	829,119
Additions	11,899	-	35,448	47,347
At 31 December 2003	<u>48,827</u>	<u>30,161</u>	<u>797,478</u>	<u>876,466</u>
Depreciation				
At 1 January 2003	1,760	30,161	600,625	632,546
Charge for the year	5,339	-	50,071	55,410
At 31 December 2003	<u>7,099</u>	<u>30,161</u>	<u>650,696</u>	<u>687,956</u>
Net book value				
At 31 December 2003	<u>£ 41,728</u>	<u>£ -</u>	<u>£ 146,782</u>	<u>£ 188,510</u>
At 31 December 2002	<u>£ 35,168</u>	<u>£ -</u>	<u>£ 161,405</u>	<u>£ 196,573</u>

CAMBRIDGE ARTS & SCIENCES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2003

8. STOCKS

	2003 £	2002 £
Consumable items	£ 39,500	£ 40,799

9. DEBTORS

	2003 £	2002 £
Due within one year		
Trade debtors	701,557	992,120
Amounts owed by group undertakings	1,883,733	1,389,766
Other debtors	82,896	72,458
Prepayments and accrued income	127,162	195,791
Deferred tax asset (see note 11)	6,064	4,884
	<u>£ 2,801,412</u>	<u>£ 2,655,019</u>

10. CREDITORS:

Amounts falling due within one year

	2003 £	2002 £
Bank loans and overdrafts	206,404	89,434
Trade creditors	117,322	105,458
Amounts owed to group undertakings	96,445	110,432
Corporation tax	127,329	50,284
Social security and other taxes	38,249	33,851
Other creditors	283,979	249,120
Accruals and deferred income	1,740,293	2,097,300
	<u>£ 2,610,021</u>	<u>£ 2,735,879</u>

11. DEFERRED TAXATION

	2003 £	2002 £
At 1 January 2003	4,884	5,023
Released during/(charge for) the year	1,180	(139)
	<u>£ 6,064</u>	<u>£ 4,884</u>
At 31 December 2003		

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2003

The deferred tax asset is made up as follows:

	2003 £	2002 £
Depreciation charges in excess of capital allowances	3,064	5,023
Provisions	3,000	(139)
	<u>£ 6,064</u>	<u>£ 4,884</u>

12. SHARE CAPITAL

	2003 £	2002 £
Authorised		
1,000 Ordinary shares of £1 each	<u>£ 1,000</u>	<u>£ 1,000</u>
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	<u>£ 2</u>	<u>£ 2</u>

13. RESERVES

Profit and loss account	£
At 1 January 2003	156,622
Profit retained for the year	263,289
	<u>£ 419,911</u>
At 31 December 2003	

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
Profit for the year	263,289	131,103
	<u>263,289</u>	<u>131,103</u>
Opening shareholders' funds	156,624	25,521
	<u>£ 419,913</u>	<u>£ 156,624</u>
Closing shareholders' funds		

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2003

15. OPERATING LEASE COMMITMENTS

At 31 December 2003 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2003	2002	2003	2002
	£	£	£	£
Expiry date:				
Within 1 year	883,647	280,800	-	-
Between 2 and 5 years	<u>71,400</u>	<u>-</u>	<u>9,464</u>	<u>7,748</u>

16. CAPITAL COMMITMENTS

At 31 December 2003 the company had capital commitments as follows:

	2003	2002
	£	£
Approved but not contracted	<u>£ 122,000</u>	<u>£ -</u>

17. TRANSACTIONS WITH DIRECTORS

During the year consultancy fees (including vat) were paid in respect of services provided by businesses linked to R. A . Woolf and S. L . Lothian amounting to £21,084 and £nil respectively (2002:£21,084 and £1,088).

18. BANK GUARANTEE

A cross security agreement has been entered into with the Group's bankers, National Westminster Bank Plc, whereby all positive bank balances that exist within Cambridge Education Group Limited (the ultimate parent undertaking), or any of its subsidiaries, may be called upon to secure or repay any net bank indebtedness. At 31 December 2003 there was group indebtedness of £1,030,068 (2002: £292,857).

19. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent undertaking is Cambridge Education Group Limited, a company incorporated in England and Wales.