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Cambridge Arts & Sciences Limited

Financial statements

For the year ended 31 December 2005

Grant Thornton

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COMPANIES HOUSE 04/08/2006

Company No. 3454690

Company information

Company registration number	3454690
Registered office	3rd Floor Sidney House Sussex Street CAMBRIDGE CB1 1PE
Directors	N P D Golding E R Armstrong S L Lothian R A Woolf
Secretary	Eversecretary Limited
Bankers	Royal Bank of Scotland Corporate Banking 1st Floor, Conqueror House Vision Park Chivers Way Histon Cambridge CB4 9BY
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditors Byron House Cambridge Business Park Cowley Road CAMBRIDGE CB4 0WZ

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Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 December 2005.

Principal activities

The principal activity of the company during the year was the provision of long term academic educational programmes.

Results and dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

Financial risk management objectives and policies

The financial risk management objectives and polices of the company are consistent with the rest of the group. Details of these can be found within the financial statements of the company's parent, Cambridge Education Group Limited.

Directors

The directors who served the company during the year were as follows:

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.

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

United Kingdom 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 year. 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

A resolution to re-appoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD

N P D Golding

Director

13 April 2006

Grant Thornton

Report of the independent auditor to the members of Cambridge Arts & Sciences Limited

We have audited the financial statements of Cambridge Arts & Sciences Limited for the year ended 31 December 2005 on pages 9 to 17. 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 auditor

The directors' responsibilities for preparing the Report of the Directors and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the 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 other transactions 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 opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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.

Report of the independent auditor to the members of Cambridge Arts & Sciences Limited (continued)

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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and

have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

CAMBRIDGE

13 April 2006.

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Turnover

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

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold Property	- Over the envisaged lease term
Fixtures, Fittings and Computer Equipment	- 15-25% straight line
Motor Vehicles	- 25% straight line

Stocks

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

Hire purchase agreements

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.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

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.

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.

Foreign currencies

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

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Deferred revenue

Revenue arising during the year under review which relates to services that will not be performed until a future accounting period is deferred in full pending delivery of these services. Client requirements can 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 15% of deferred revenue at year end. Accordingly, an adjustment is made, at the level of 15% of all deferred revenue or by the actual reduction, where known, to take account of the impact of such cancellations on deferred revenue and trade debtors at year end.

Profit and loss account

	Note	2005 £	2004 £
Turnover	1	**4,739,351**	4,734,755
Cost of sales		**2,543,176**	2,489,393
Gross profit		**2,196,175**	2,245,362
Other operating charges	2	**2,199,434**	2,138,243
(Loss)/profit on ordinary activities before taxation		**(3,259)**	107,119
Tax on profit on ordinary activities	6	**(4,279)**	30,593
Profit for the financial year	17	**1,020**	76,526

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

Balance sheet

	Note	2005 £	2004 £
Fixed assets			
Tangible assets	7	**238,259**	322,901
Current assets			
Stocks	8	**50,500**	39,500
Debtors	9	**2,247,026**	2,350,354
Cash at bank		**311**	352
		2,297,837	2,390,206
Creditors: amounts falling due within one year	11	**2,038,637**	2,216,668
Net current assets		**259,200**	173,538
Total assets less current liabilities		**497,459**	496,439
Capital and reserves			
Called-up equity share capital	16	**2**	2
Profit and loss account	17	**497,457**	496,437
Shareholders' funds	18	**497,459**	496,439

These financial statements were approved by the directors on 13/4/06 and are signed on their behalf by:

N P D Golding
Director

S L Lothian
Director

Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the principal activities of the company.
An analysis of turnover is given below:

	2005	2004
	£	£
United Kingdom	**4,739,351**	4,734,755

2 Other operating charges

	2005	2004
	£	£
Administrative expenses	**2,162,843**	2,138,243

3 Operating profit

Operating profit is stated after charging:

	2005	2004
	£	£
Depreciation of owned fixed assets	**86,762**	66,133
Loss on disposal of fixed assets	**42,161**	–
Auditor's remuneration:		
Audit fees	**5,875**	5,875
Accountancy fees	**1,175**	1,175

4 Directors and employees

The average number of staff employed by the company during the financial year amounted to:

	2005	2004
	No	No
Teaching and administration	**103**	93

The aggregate payroll costs of the above were:

	2005	2004
	£	£
Wages and salaries	**1,417,146**	1,402,171
Social security costs	**143,993**	142,088
Other pension costs	**18,186**	34,394
	1,579,325	1,578,653

5 Directors

Remuneration in respect of directors was as follows:

	2005	2004
	£	£
Emoluments receivable	**55,176**	86,821
Value of company pension contributions to money purchase schemes	**6,756**	5,850
	61,932	92,671

The number of directors who accrued benefits under company pension schemes was as follows:

	2005	2004
	No	No
Money purchase schemes	**1**	1

6 Taxation on ordinary activities

(a) Analysis of charge in the year

	2005 £	2004 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 30% (2004 - 30%)	**2,515**	11,400
Over/under provision in prior year	**-**	26,435
Total current tax	**2,515**	37,835
Deferred tax:		
Origination and reversal of timing differences	**(6,794)**	(7,242)
Tax on profit on ordinary activities	**(4,279)**	30,593

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2004 - 30%).

	2005 £	2004 £
Profit/(loss) on ordinary activities before taxation	**(3,259)**	107,119
Profit/(loss) on ordinary activities multiplied by standard rate of UK corporation tax	**(977)**	32,136
Expenses not deductible for tax purposes	**2,926**	7,748
Capital allowances for period in excess of depreciation	**13,912**	(5,648)
Tax chargeable at lower rates	**-**	(6,600)
Adjustments to tax charge in respect of previous periods	**-**	26,435
Group relief claimed	**(6,162)**	(26,497)
Other timing differences	**(7,184)**	10,261
Total current tax (note 6(a))	**2,515**	37,835

7 Tangible fixed assets

	Leasehold Property £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost				
At 1 January 2005	71,757	936,813	68,420	1,076,990
Additions	–	59,785	–	59,785
Disposals	–	(552,172)	(13,160)	(565,332)
Transfers	–	–	(18,960)	(18,960)
At 31 December 2005	71,757	444,426	36,300	552,483
Depreciation				
At 1 January 2005	10,792	710,357	32,940	754,089
Charge for the year	13,548	66,809	6,405	86,762
On disposals	–	(509,911)	(13,160)	(523,071)
Transfers	–	–	(3,556)	(3,556)
At 31 December 2005	24,340	267,255	22,629	314,224
Net book value				
At 31 December 2005	**47,417**	**177,171**	**13,671**	**238,259**
At 31 December 2004	60,965	226,456	35,480	322,901

8 Stocks

	2005 **£**	2004 £
Consumables	**50,500**	39,500

9 Debtors

	2005 **£**	2004 £
Trade debtors	**86,241**	89,675
Amounts owed by group undertakings	**1,882,270**	1,994,763
Other debtors	**68,330**	94,416
Prepayments and accrued income	**190,085**	158,194
Deferred taxation (note 10)	**20,100**	13,306
	2,247,026	2,350,354

10 Deferred taxation

The deferred tax included in the balance sheet is as follows:

	2005	2004
	£	£
Included in debtors (note 9)	**20,100**	13,306

The movement in the deferred taxation account during the year was:

	2005	2004
	£	£
Balance brought forward	**13,306**	6,064
Profit and loss account movement arising during the year	**6,794**	7,242
Balance carried forward	**20,100**	13,306

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2005	2004
	£	£
Excess of taxation allowances over depreciation on fixed assets	**11,600**	(2,464)
Other timing differences	**8,500**	15,770
	20,100	13,306

11 Creditors: amounts falling due within one year

	2005	2004
	£	£
Bank loans and overdrafts	**109,080**	438,071
Trade creditors	**157,988**	223,051
Amounts owed to group undertakings	**250,069**	111,330
Corporation tax	**5,620**	11,257
Other taxation and social security	**48,425**	48,378
Other creditors	**453,481**	376,654
Accruals	**147,270**	118,565
Deferred income	**866,704**	889,362
	2,038,637	2,216,668

12 Leasing commitments

At 31 December 2005 the company had annual commitments under non-cancellable operating leases as set out below.

	2005		2004	
	Land & Buildings	Other Items	Land & Buildings	Other Items
	£	£	£	£
Operating leases which expire:				
Within 1 year	633,437	5,727	523,257	18,564
Within 2 to 5 years	72,000	1,828	326,040	-
	705,437	7,555	849,297	18,564

13 Contingent liabilities

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 2005 there was group indebtedness of £3,297,866 (2004 - £1,125,574).

14 Capital Commitments

At 31 December 2005 the company had approved but not contracted for capital expenditure amounting to £91,581 (2004 - £100,000).

15 Related party transactions

As a wholly-owned subsidiary of Cambridge Education Group Limited, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group on the grounds that accounts are publicly available from Companies House.

During the year consultancy fees (including VAT) were paid in respect of services provided by businesses linked to R A Woolf amounting to £550 (2004 - £6,750).

16 Share capital

Authorised share capital:

	2005	2004
	£	£
1,000 Ordinary shares of £1 each	1,000	1,000

Allotted, called up and fully paid:

	2005		2004	
	No	£	No	£
Ordinary shares of £1 each	2	2	2	2

17 Profit and loss account

	2005	2004
	£	£
Balance brought forward	**496,437**	419,911
Profit for the financial year	**1,020**	76,526
Balance carried forward	**497,457**	496,437

18 Reconciliation of movements in shareholders' funds

	2005	2004
	£	£
Profit for the financial year	**1,020**	76,526
Opening shareholders' funds	**496,439**	419,913
Closing shareholders' funds	**497,459**	496,439

19 Ultimate parent company

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

Management information

The following pages do not form part of the statutory financial statements which are the subject of the independent auditor's report on pages 5 to 6.

Profit and loss account

	2005 £	2004 £
Turnover	**4,739,351**	4,734,755
Cost of sales		
Tuition	**675,404**	734,444
Commissions payable	**235,553**	227,915
Catering costs	**157,147**	160,426
Art school materials & costs	**46,127**	56,714
Welfare, excursions & recreation	**21,908**	26,146
Other materials & insurance	**225,340**	198,613
Accommodation costs	**1,147,533**	1,053,346
Curriculum & examination costs	**34,164**	31,789
	2,543,176	2,489,393
Gross profit	**2,196,175**	2,245,362
Overheads		
Administrative expenses	**2,199,434**	2,138,243
(Loss)/profit on ordinary activities	**(3,259)**	107,119

	2005	2004
	£	£
Administrative expenses		
Administrative expenses		
Personnel costs		
Salaries	**741,742**	667,727
National insurance	**143,993**	142,088
Pensions	**18,186**	34,394
	903,921	844,209
Establishment expenses		
Rent, rates and water	**148,548**	115,885
Light and heat	**17,671**	20,144
Insurance	**20,625**	21,149
Property repairs & maintenance	**59,577**	72,986
Cleaning & refuse removal	**37,386**	36,096
Rent - room hire	**11,956**	10,120
Rent - licences	**217,648**	280,800
	513,411	557,180
General expenses		
Motor expenses	**6,740**	5,032
Travel and subsistence	**8,111**	11,273
Telephone & fax	**21,625**	30,275
Equipment hire & rental	**11,583**	12,161
Equipment repairs and maintenance	**24,596**	20,678
Printing & stationery	**45,167**	42,695
Health & safety	**8,268**	2,745
Staff training	**30,389**	21,939
Staff welfare & canteen	**24,500**	26,672
Personnel & recruitment expenses	**65,197**	15,080
Trade subscriptions	**11,463**	5,337
Sundry expenses	**4,078**	12,838
Advertising & promotion	**349,762**	388,386
Entertaining	**7**	9,322
New programme & facility development costs	**16,012**	18,312
Legal and professional fees	**8,962**	12,261
Auditors remuneration - non audit	**1,175**	1,175
Auditors remuneration	**5,875**	5,875
Depreciation	**86,762**	66,133
Loss on disposal of fixed assets	**42,161**	–
	772,433	708,189
Financial costs		
Bad debts	**(8,144)**	14,063
Bank charges	**17,813**	14,602
	9,669	28,665
	2,199,434	2,138,243