

EDUCATION ACTION LIMITED

Report and Financial Statements

31 December 2004



A47
COMPANIES HOUSE

WAKXJJ4KH

0742
19/04/05

EDUCATION ACTION LIMITED

REPORT AND FINANCIAL STATEMENTS 2004

Contents	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the accounts	7
Additional information	13
Detailed profit and loss account	14
Notes to detailed profit and loss account	15

EDUCATION ACTION LIMITED

REPORT AND FINANCIAL STATEMENTS 2004

Officers and professional advisers

Directors

D R Savage
D J Ayers
C Dalton
S W Richmond
R C Smith
P F Jephcott

Company Secretary

P F Jephcott

Registered Office

The Manor House
Squire's Hill
Rothwell
Northamptonshire
NN14 6BQ

Bankers

Barclays Bank plc
PO 16294
1-2 Trinity Way
Chingford
London
E4 8US

Solicitors

Halliwell Landau & Co
St. James Court
Brown Street
Manchester
M2 2JF

EDUCATION ACTION LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2004.

Principal activities and future prospects

The principal activity of the company during the year was the provision of education for young adults. The directors expect a satisfactory performance from the company in the coming year.

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 do not recommend the payment of a dividend for the year (2003: £nil).

Directors

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

J G Mackenzie (resigned 6 July 2004)
T R Leigh FCA (resigned 22 June 2004)
D R Savage
D J Ayers
C Dalton
S W Richmond
R C Smith
P F Jephcott (appointed 22 July 2004)

The company is a wholly owned subsidiary and Castlecare Group Limited and the interests of the directors, who are also directors of the parent company, are disclosed in the financial statements of that company.

Auditors

KPMG LLP resigned as auditors during the year and were replaced by Deloitte & Touche LLP. Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



Secretary

29 March 2005

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 as at the end of the financial year 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;
- state whether applicable accounting standards have been followed;
- 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 the system of internal control, safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EDUCATION ACTION LIMITED

We have audited the financial statements of Education Action Limited for the year ended 31 December 2004 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 17. These financial statements have been prepared under 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 in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 the additional information contained within the annual report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of 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 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Manchester

15 April 2005

EDUCATION ACTION LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2004

	Note	2004 £	2003 £
TURNOVER	2	529,919	395,516
Cost of sales		(860,457)	(393,746)
GROSS (LOSS)/PROFIT		(330,538)	1,770
Administrative expenses		(31,939)	(26,490)
OPERATING LOSS	3	(362,477)	(24,720)
Interest payable	5	(1,261)	(1,873)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(363,738)	(26,593)
Tax on loss on ordinary activities	6	106,081	1,815
LOSS FOR THE FINANCIAL YEAR		(257,657)	(24,778)
Profit and loss account brought forward		(23,603)	1,175
Profit and loss account carried forward		(281,260)	(23,603)

The company has no recognised gains or losses other than the results for the current and prior year as set out above. Accordingly no separate statement of total recognised gains and losses has been prepared.

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

EDUCATION ACTION LIMITED

BALANCE SHEET 31 December 2004

	Note	£	2004 £	£	2003 £
FIXED ASSETS					
Tangible assets	7		<u>1,855</u>		<u>18,147</u>
CURRENT ASSETS					
Debtors – due within one year	8	19,062		5,340	
Debtors – due after more than one year	8	668,894		270,208	
Cash at bank		33,353		-	
		<u>721,309</u>		<u>275,548</u>	
CREDITORS: Amounts falling due within one year	9	<u>(979,424)</u>		<u>(7,575)</u>	
NET CURRENT (LIABILITIES)/ASSETS			<u>(258,115)</u>		<u>267,973</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(256,260)</u>		<u>286,120</u>
CREDITORS: Amounts falling due after more than one year	10		<u>-</u>		<u>(284,723)</u>
			<u>(256,260)</u>		<u>1,397</u>
CAPITAL AND RESERVES					
Called up share capital	13		25,000		25,000
Profit and loss account			<u>(281,260)</u>		<u>(23,603)</u>
EQUITY SHAREHOLDERS' (DEFICIT)/FUNDS	15		<u>(256,260)</u>		<u>1,397</u>

These financial statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors

29 March 2005

Director



NOTES TO THE ACCOUNTS
Year ended 31 December 2004

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, in accordance with applicable United Kingdom accounting standards, and on a going concern basis in view of an undertaking from Castlecare Group Limited to provide or procure the necessary finance to enable the company to continue its activities.

As the company is a wholly owned subsidiary of Castlecare Group Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard No 8 and has not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as the ultimate parent company, Castlecare Group Limited, a company incorporated in England and Wales, prepares consolidated financial statements which are publicly available.

Turnover

The turnover shown in the profit and loss account represents amounts receivable in the year, exclusive of Value Added Tax.

Depreciation

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

Motor vehicles	-	25% on net book value
Fixtures and fittings	-	25% straight line

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account.

Taxation

Current taxation is provided at the amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pensions

The company contributes towards employees' private pensions. All payments are in respect of defined contribution schemes and are charged to the profit and loss account in the period to which they relate.

2. TURNOVER

The turnover represents amounts invoiced for services provided to other group companies, and to other third parties, excluding VAT.

All turnover is derived in the United Kingdom.

EDUCATION ACTION LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2004

3. OPERATING LOSS

	2004 £	2003 £
Operating loss is stated after charging:		
Depreciation	4,392	6,049
Auditors' remuneration	-	2,000
Operating lease costs:		
Other	9,745	-
	<u>9,745</u>	<u>-</u>

The auditors' remuneration is borne by a fellow group company.

4. PARTICULARS OF DIRECTORS AND EMPLOYEES

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

	2004 No.	2003 No.
Administrative	1	-
Teaching staff	23	16
	<u>23</u>	<u>16</u>

The aggregate payroll costs of the above were:

	2004 £	2003 £
Wages and salaries	498,982	266,906
Social security costs	41,396	24,237
Pension costs	-	4,633
	<u>540,378</u>	<u>295,776</u>

There have been no directors emoluments paid by the company in the year (2003 - £nil).

5. INTEREST PAYABLE

	2004 £	2003 £
Finance charges in respect of hire purchase contracts	1,261	1,873
	<u>1,261</u>	<u>1,873</u>

6. TAX ON LOSS ON ORDINARY ACTIVITIES

(a) Taxation

	2004 £	2003 £
Analysis of charge in year:		
Corporation tax on the loss for the year	(107,896)	-
Deferred taxation – adjustment in respect of prior years	1,815	(1,815)
	<u>1,815</u>	<u>(1,815)</u>
Total tax on loss on ordinary activities	<u>106,081</u>	<u>(1,815)</u>

EDUCATION ACTION LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2004

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher (2003: higher) than the standard rate of corporation tax in the UK of 30% (2003: 30%). The differences are explained below:

	2004 £	2003 £
Loss on ordinary activities before taxation	(363,738)	(26,593)
Tax on loss on ordinary activities at 30% (2003: 30%)	(109,121)	(7,978)
Group relief surrendered for no payment	-	8,583
Capital allowances in excess of depreciation	760	(605)
Expenses not deductible for tax purposes	465	-
Total current tax for the year	(107,896)	-

7. TANGIBLE FIXED ASSETS

	Fixtures and fittings £	Motor vehicles £	Total £
Cost or valuation			
At 1 January 2004	-	32,262	32,262
Additions	2,040	-	2,040
Disposals	-	(32,262)	(32,262)
At 31 December 2004	2,040	-	2,040
Depreciation			
At 1 January 2004	-	14,115	14,115
Charge for the year	185	4,207	4,392
Disposals	-	(18,322)	(18,322)
At 31 December 2004	185	-	185
Net book value			
At 31 December 2004	1,855	-	1,855
At 31 December 2003	-	18,147	18,147

EDUCATION ACTION LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2004

8. DEBTORS

	2004 £	2003 £
Trade debtors	19,062	3,525
Amounts owed by group undertakings	668,894	270,208
Deferred taxation	-	1,815
	<u>687,956</u>	<u>275,548</u>

The above debtors include the following amounts falling due after more than one year:

	2004 £	2003 £
Amounts owed by group undertakings	<u>668,894</u>	<u>270,208</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £	2003 £
Hire purchase agreements (see note 10)	-	7,050
VAT	5,855	525
Accruals and deferred income	6,000	-
Amounts owed to group undertakings	967,569	-
	<u>979,424</u>	<u>7,575</u>

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

	2004 £	2003 £
Amounts owed to group undertakings	-	270,349
Other creditors:		
Hire purchase agreements	-	14,374
	<u>-</u>	<u>284,723</u>

Commitments under Hire Purchase Agreements

Future commitments under hire purchase agreements are as follows:

	2004 £	2003 £
Amounts payable within 1 year	-	7,050
Amounts payable between 2 and 5 years	-	14,374
	<u>-</u>	<u>21,424</u>

EDUCATION ACTION LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2004

11. DEFERRED TAX

The movement in deferred taxation provision during the year was:

	2004	2003
£	£	£
Provision brought forward	(1,815)	-
Profit and loss account movement during the year		
- current year	1,815	605
- prior period	-	(2,420)
	<u>1,815</u>	<u>(1,815)</u>
	<u>-</u>	<u>(1,815)</u>

The asset consists of the tax effect of timing differences in respect of:

	2004	2003
	£	£
Accelerated capital allowances	<u>-</u>	<u>(1,815)</u>

12. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2004 the company had annual commitments under non-cancellable operating leases set out below:

	Other 2004	Other 2003
	£	£
Operating leases which expire:		
- within one year	<u>7,507</u>	<u>7,507</u>

13. SHARE CAPITAL

	2004	2003
	£	£
Authorised share capital:		
25,000 ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>
Allotted, called up and fully paid:		
25,000 ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>

14. CONTINGENT LIABILITIES

The company is party to a cross guarantee to secure the bank loans and overdrafts of certain group companies. As at 31 December 2004 total bank loans and overdrafts subject to this guarantee were £11,527,385 (2003: £1,969,833).

EDUCATION ACTION LIMITED**NOTES TO THE ACCOUNTS**
Year ended 31 December 2004**15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' (DEFICIT)/FUNDS**

	2004	2003
	£	£
Loss for the financial year	(257,657)	(24,778)
New equity share capital subscribed	-	-
Net reduction in funds	(257,657)	(24,778)
Opening shareholders' funds	1,397	26,175
Closing shareholders' (deficit)/funds	(256,260)	1,397

16. ULTIMATE PARENT COMPANY

The largest group of which the results of the company are consolidated is that headed by Castlecare Group Limited, a company incorporated in England and Wales. The consolidated financial statements of this company are available to the public and may be obtained from The Manor House, Squires Hill, Rothwell, Northamptonshire, NN14 6BQ. No other consolidated financial statements include the results of the company.

17. ULTIMATE CONTROLLING PARTY

The company is controlled by Granville Baird Capital Partners by virtue of it's shareholding in the parent company.

EDUCATION ACTION LIMITED

ADDITIONAL INFORMATION

The additional information on pages 14 and 15 has been prepared from the accounting records of the company. While it does not form part of the statutory financial statements, it should be read in conjunction with them and the auditors' report thereon.

EDUCATION ACTION LIMITED

DETAILED PROFIT AND LOSS ACCOUNT

Year ended 31 December 2004

	2004	2003
	£	£
TURNOVER	529,919	395,516
COST OF SALES		
Management fee	314,000	94,999
Direct wages	492,982	266,906
Admin Wages	6,000	-
NIC on direct labour	41,396	24,237
Pension costs	-	4,633
Classroom expenses	2,281	2,470
Education training	3,798	501
	<u>(860,457)</u>	<u>(393,746)</u>
GROSS (LOSS)/PROFIT	(330,538)	1,770
OVERHEADS		
Administrative expenses	<u>(31,939)</u>	<u>(26,490)</u>
OPERATING LOSS	(362,477)	(24,720)
Hire purchase charges	<u>(1,261)</u>	<u>(1,873)</u>
LOSS BEFORE TAXATION ON ORDINARY ACTIVITIES	<u>(363,738)</u>	<u>(26,593)</u>

EDUCATION ACTION LIMITED

NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT

Year ended 31 December 2004

	2004 £	2003 £
ADMINISTRATIVE EXPENSES		
Travel and subsistence	1,175	417
Telephone	1,134	538
Printing	-	1,868
Stationery and postage	1,165	583
Recruitment – advertising	2,774	4,364
Recruitment – placement fees	8,700	12,138
General expenses	660	278
Advertising	-	255
Depreciation	4,391	6,049
Education trips	80	-
Repairs and renewals	346	-
Bank charges	147	-
Vehicle leasing costs	9,745	-
Loss on disposal of fixed assets	1,622	-
	<u>31,939</u>	<u>26,490</u>