

EDUCATION ACTION LIMITED

Report and Financial Statements

31 December 2005



EDUCATION ACTION LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

Contents	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Independent auditors' report	4
Profit and loss account	6
Balance sheet	7
Notes to the accounts	8

REPORT AND FINANCIAL STATEMENTS 2005

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
1 Churchill Place
Canary Wharf
London
E14 5HP

Solicitors

Halliwell LLP
St. James Court
Brown Street
Manchester
M2 2JF

Auditors

Deloitte and Touche LLP
Chartered Accountants
Manchester

EDUCATION ACTION LIMITED

DIRECTORS' REPORT

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

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 (2004: £nil).

Directors

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

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

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

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

28th March 2006

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; and
- 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 2005 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 15. 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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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 in accordance with the relevant financial reporting framework 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 other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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.

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 loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Manchester

25 May 2006

EDUCATION ACTION LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2005

	Note	2005 £	2004 £
TURNOVER	2	718,360	529,919
Cost of sales		(700,476)	(860,457)
GROSS PROFIT/(LOSS)		17,884	(330,538)
Administrative expenses		(17,884)	(31,939)
OPERATING PROFIT/(LOSS)	3	-	(362,477)
Interest payable	5	-	(1,261)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		-	(363,738)
Tax on profit/(loss) on ordinary activities	6	(108)	106,081
LOSS FOR THE FINANCIAL YEAR		(108)	(257,657)
Profit and loss account brought forward		(281,260)	(23,603)
Profit and loss account carried forward		(281,368)	(281,260)

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 2005

	Note	£	2005 £	£	2004 £
FIXED ASSETS					
Tangible assets	7		6,545		1,855
CURRENT ASSETS					
Debtors – due within one year	8	1,441,675		19,062	
Debtors – due after more than one year	8	-		668,894	
Cash at bank		67,801		33,353	
			<u>1,509,476</u>	<u>721,309</u>	
CREDITORS: Amounts falling due within one year	9	(1,772,389)		(979,424)	
NET CURRENT LIABILITIES			<u>(262,913)</u>		<u>(258,115)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(256,368)</u>		<u>(256,260)</u>
NET LIABILITIES			<u>(256,368)</u>		<u>(256,260)</u>
CAPITAL AND RESERVES					
Called up share capital	11		25,000		25,000
Profit and loss account			(281,368)		(281,260)
EQUITY SHAREHOLDERS' DEFICIT	13		<u>(256,368)</u>		<u>(256,260)</u>

These financial statements were approved by the Board of Directors on 28/03/06

Signed on behalf of the Board of Directors



Director

NOTES TO THE ACCOUNTS
Year ended 31 December 2005

1. ACCOUNTING POLICIES

Basis of accounting

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

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 for services rendered 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:

Fixtures and fittings - straight line basis over between 3 and 10 years

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 attributable to the principal activity of the company.

All turnover is derived in the United Kingdom.

EDUCATION ACTION LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2005

3. OPERATING PROFIT/(LOSS)

	2005 £	2004 £
Operating profit/(loss) is stated after charging:		
Depreciation	986	4,392
Operating lease costs:		
Other	5,680	9,745
	<u>5,680</u>	<u>9,745</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:

	2005 No.	2004 No.
Administrative	2	1
Teaching staff	25	23
	<u>25</u>	<u>23</u>

The aggregate payroll costs of the above were:

	2005 £	2004 £
Wages and salaries	622,756	498,982
Social security costs	49,391	41,396
	<u>672,147</u>	<u>540,378</u>
	2005 £	2004 £

Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:

Emoluments receivable	85,816	-
	<u>85,816</u>	<u>-</u>

5. INTEREST PAYABLE

	2005 £	2004 £
Finance charges in respect of hire purchase contracts	-	1,261
	<u>-</u>	<u>1,261</u>

EDUCATION ACTION LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2005

6. TAX ON LOSS ON ORDINARY ACTIVITIES

(a) Taxation

	2005 £	2004 £
Analysis of charge/(credit) in year:		
Corporation tax on the loss for the year	-	(107,896)
Group relief paid to group undertakings	108	
Deferred taxation – adjustment in respect of prior years	-	1,815
Total tax on loss on ordinary activities	<u>108</u>	<u>(106,081)</u>

(b) Factors affecting current tax charge/(credit)

The tax assessed on the loss on ordinary activities for the year is higher (2004: higher) than the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are explained below:

	2005 £	2004 £
Loss on ordinary activities before taxation	-	(363,738)
Tax on loss on ordinary activities at 30% (2004: 30%)	-	(109,121)
Capital allowances in excess of depreciation	(823)	760
Expenses not deductible for tax purposes	831	465
Marginal tax rate	(8)	-
Total current tax for the year	<u>-</u>	<u>(107,896)</u>

7. TANGIBLE FIXED ASSETS

	Fixtures and fittings £
Cost or valuation	
At 1 January 2005	2,040
Additions	5,676
At 31 December 2005	<u>7,716</u>
Depreciation	
At 1 January 2005	185
Charge for the year	986
At 31 December 2005	<u>1,171</u>
Net book value	
At 31 December 2005	<u>6,545</u>
At 31 December 2004	<u>1,855</u>

EDUCATION ACTION LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2005

8. DEBTORS

	2005 £	2004 £
Trade debtors	3,948	19,062
Amounts owed by group undertakings	1,437,727	668,894
	<u>1,441,675</u>	<u>687,956</u>

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

	2005 £	2004 £
Amounts owed by group undertakings	-	668,894
	<u>-</u>	<u>668,894</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £	2004 £
Amounts owed to group undertakings	1,766,466	967,569
Corporation tax	1,000	-
VAT	925	5,855
Accruals and deferred income	3,998	6,000
	<u>1,772,389</u>	<u>979,424</u>

10. COMMITMENTS UNDER OPERATING LEASES

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

	Other 2005 £	Other 2004 £
Operating leases which expire:		
- within one year	-	7,507
- within two to five years	4,859	-
	<u>4,859</u>	<u>7,507</u>

11. SHARE CAPITAL

	2005 £	2004 £
Authorised share capital:		
25,000 ordinary shares of £1 each	25,000	25,000
	<u>25,000</u>	<u>25,000</u>
Allotted, called up and fully paid:		
25,000 ordinary shares of £1 each	25,000	25,000
	<u>25,000</u>	<u>25,000</u>

12. 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 2005 total bank loans and overdrafts subject to this guarantee were £10,135,937 (2004: £11,527,385).

EDUCATION ACTION LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2005

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	2005 £	2004 £
Loss for the financial year	(108)	(257,657)
Net reduction in funds	(108)	(257,657)
Opening shareholders' (deficit)/funds	(256,260)	1,397
Closing shareholders' deficit	(256,368)	(256,260)

14. ULTIMATE PARENT COMPANY

The largest group of which the results of the company are consolidated is that headed by Castlecure 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.

15. ULTIMATE CONTROLLING PARTY

The company is controlled by Granville Baird Capital Partners by virtue of them managing/owning funds which combined own a controlling interest in the share capital of the parent company.