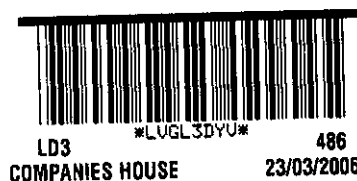


Active English Limited

Financial statements

For the year ended 31 August 2005

Grant Thornton 



Company No. 3800313

Company information

Company registration number	3800313
Registered office	Berkshire College Hall Place Burchetts Green Maidenhead Berkshire SL6 6QR
Directors	D J Walker R M Clarke
Secretary	D J Walker
Auditors	Grant Thornton UK LLP Chartered Accountants Registered Auditors Churchill House Chalvey Road East Slough Berkshire SL1 2LS

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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 August 2005.

Principal activities and business review

The principal activity of the company during the year was the provision of english language education.

There was a loss for the year after taxation amounting to £122,216 (2004 - £283,836). The directors do not recommend payment of a dividend.

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 and their interests in the shares of the company

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £1 each	
	At 31 August 2005	At 1 September 2004
D J Walker (appointed 21 September 2004)	-	-
R M Clarke	-	-

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 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.

Auditors

Grant Thornton UK LLP were appointed on 8 April 2005 to fill a casual vacancy in accordance with section 338(1) of the Companies Act 1985. Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

D J Walker
Secretary

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Report of the independent auditors to the members of Active English Limited

We have audited the financial statements of Active English Limited for the year ended 31 August 2005 which comprise the principal accounting policies, profit and loss account, balance sheet, statement of total recognised gains and losses and notes 1 to 21. 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

The directors' responsibilities for preparing the report of the directors and the financial statements in accordance with United Kingdom law and accounting standards 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 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 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 transactions with the company is not disclosed.

We read other information contained in the report of the directors and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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.

Report of the independent auditors to the members of Active English 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 of the state of affairs of the company as at 31 August 2005 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.


GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

LONDON THAMES VALLEY OFFICE
SLOUGH

.....
14 March 2006

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets.

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 small.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year.

Amortisation

Amortisation 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:

Goodwill - fully written off in the year incurred

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:

Fixtures & Fittings - 25% reducing balance

The freehold property is not depreciated, as in the opinion of the directors, the property's realisable value is greater than the book value in the financial statements.

Stocks

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

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.

Profit and loss account

	Note	2005 £	2004 £
Turnover	1	725,069	1,132,058
Cost of sales		478,694	761,914
Gross profit		246,375	370,144
Other operating charges	2	340,425	580,539
Operating loss	3	(94,050)	(210,395)
Cost of restructuring the company	6	-	(51,004)
		(94,050)	(261,399)
Interest receivable		135	264
Interest payable and similar charges	7	(28,301)	(10,546)
Loss on ordinary activities before taxation		(122,216)	(271,681)
Tax on loss on ordinary activities	8	-	12,155
Loss for the financial year	17	(122,216)	(283,836)

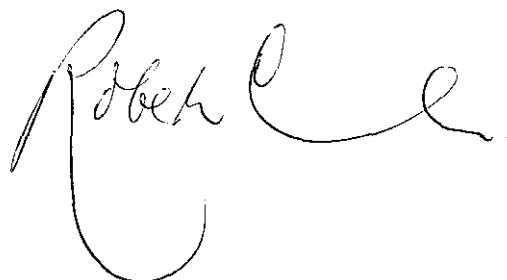
All of the activities of the company are classed as continuing.

Balance sheet

	Note	2005 £	2004 £
Fixed assets			
Tangible assets	9	477,515	473,309
Current assets			
Stocks	10	10,143	8,143
Debtors	11	10,254	137,302
Cash at bank and in hand		72,185	40,444
		92,582	185,889
Creditors: amounts falling due within one year	12	198,363	138,030
Net current (liabilities)/assets		(105,781)	47,859
Total assets less current liabilities		371,734	521,168
Creditors: amounts falling due after more than one year	13	312,784	340,002
		58,950	181,166
Capital and reserves			
Called-up equity share capital	16	400,100	400,100
Revaluation reserve		58,559	58,559
Profit and loss account	17	(399,709)	(277,493)
Shareholder's funds	18	58,950	181,166

These financial statements were approved by the directors on ^{24 March 2006} and are signed on their behalf by:

~~D.J. Walker~~ R.M. CEARKE
Director



Other primary statements

Statement of total recognised gains and losses

	2005 £	2004 £
Loss for the financial year	(122,216)	(283,836)
Unrealised profit on revaluation of certain fixed assets	–	58,559
Total gains and losses recognised for the year	<u>(122,216)</u>	<u>(225,277)</u>

Notes to the financial statements

1 Turnover

The turnover and loss before tax are attributable to the one principal activity of the company.
An analysis of turnover is given below:

	2005 £	2004 £
United Kingdom	<u>725,069</u>	<u>1,132,058</u>

2 Other operating charges

	2005 £	2004 £
Administrative expenses	<u>340,425</u>	<u>580,539</u>

3 Operating loss

Operating loss is stated after charging:

	2005 £	2004 £
Depreciation of owned fixed assets	9,171	6,976
Auditors' remuneration:		
Audit fees	3,231	22,131
Goodwill written off	<u>-</u>	<u>315,000</u>

4 Directors and employees

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

	2005 No	2004 No
Number of administrative staff	<u>2</u>	<u>2</u>

The aggregate payroll costs of the above were:

	2005 £	2004 £
Wages and salaries	109,023	92,310
Social security costs	10,995	17,599
	<u>120,018</u>	<u>109,909</u>

5 Directors

Remuneration in respect of directors was as follows:

	2005 £	2004 £
Emoluments receivable	-	2,572

6 Cost of restructuring the company

	2005 £	2004 £
Exceptional item	-	51,004

7 Interest payable and similar charges

	2005 £	2004 £
Interest payable on bank borrowings	21,700	10,413
Other similar charges payable	6,601	133
	<u>28,301</u>	<u>10,546</u>

8 Taxation on ordinary activities

(a) Analysis of charge in the year

	2005 £	2004 £
Current tax:		
UK Corporation tax based on the results for the year at 30% (2004 - 30%)	-	12,155
Total current tax	<u>-</u>	<u>12,155</u>

8 Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is the same as the standard rate of corporation tax in the UK of 30% (2004 - 30%).

	2005 £	2004 £
Loss on ordinary activities before taxation	(122,216)	(271,681)
Loss on ordinary activities by rate of tax	(36,665)	11,200
Expenses not deductible for tax purposes	176	-
Capital allowances in period in excess of depreciation	18,674	-
Adjustments to tax charge in respect of previous periods	-	955
Other timing differences	(4,200)	-
Group relief surrendered	22,015	-
Total current tax (note 8(a))	-	12,155

9 Tangible fixed assets

	Freehold Property £	Fixtures & Fittings £	Total £
Cost or valuation			
At 1 September 2004	466,311	143,286	609,597
Additions	-	12,697	12,697
At 31 August 2005	466,311	155,983	622,294
Depreciation			
At 1 September 2004	16,311	119,977	136,288
Charge for the year	-	8,491	8,491
At 31 August 2005	16,311	128,468	144,779
Net book value			
At 31 August 2005	450,000	27,515	477,515
At 31 August 2004	450,000	23,309	473,309

The freehold property was revalued on 8 November 2004 by C Broome BSc MRICS of Cluttons, Chartered Surveyors resulting in a revaluation surplus of £58,559.

If the property had not been revalued it would have been included at a net book value, on the historical cost basis of £407,752 (2004: £407,752).

No provision has been made for deferred taxation in the revaluation surplus as there is no intention to dispose of the property in the foreseeable future.

10 Stocks

	2005 £	2004 £
Consumables	<u>10,143</u>	<u>8,143</u>

11 Debtors

	2005 £	2004 £
Trade debtors	-	46,767
Amounts owed by group undertakings	-	60,000
Corporation tax repayable	481	-
Prepayments and accrued income	<u>9,773</u>	<u>30,535</u>
	<u>10,254</u>	<u>137,302</u>

12 Creditors: amounts falling due within one year

	2005 £	2004 £
Bank loans and overdrafts	24,000	15,580
Trade creditors	33,685	23,279
Amounts owed to group undertakings	72,829	-
Corporation tax	-	11,200
Other taxation and social security	9,522	11,784
Other creditors	47,266	76,187
Accruals and deferred income	<u>11,061</u>	<u>-</u>
	<u>198,363</u>	<u>138,030</u>

13 Creditors: amounts falling due after more than one year

	2005 £	2004 £
Bank loans and overdrafts	<u>312,784</u>	<u>340,002</u>

The bank loan is repayable by monthly instalments. There were 166 instalments repayable at the year end. Interest is charged on the loan at 1.5% above the National Westminster Bank plc base rate. The loan is secured on the land and buildings at 12 Eversfield Road, Eastbourne and also has an unlimited guarantee from the parent company.

14 Leasing commitments

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

	Land & buildings	
	2005	2004
	£	£
Operating leases which expire:		
Within 2 to 5 years	-	30,000

15 Related party transactions

At the year end the company was owed £nil (2004: £60,000) from Ardmore Language Schools Limited. In addition, at the year end, the company owed £72,829 to Ardmore Language Schools Limited.

16 Share capital

Authorised share capital:

	2005	2004
	£	£
500,000 Ordinary shares of £1 each	500,000	500,000

Allotted, called up and fully paid:

	2005		2004	
	No	£	No	£
Ordinary shares of £1 each	400,100	400,100	400,100	400,100

17 Profit and loss account

	2005	2004
	£	£
Balance brought forward	(277,493)	6,343
Loss for the financial year	(122,216)	(283,836)
Balance carried forward	(399,709)	(277,493)

18 Reconciliation of movements in shareholder's funds

	2005 £	2004 £
Loss for the financial year	(122,216)	(283,836)
Other net recognised gains and losses	-	58,559
Net reduction to shareholder's equity funds	(122,216)	(225,277)
Opening shareholder's equity funds	181,166	406,443
Closing shareholder's equity funds	58,950	181,166

19 Capital commitments

There were no commitments as at 31 August 2005 or 31 August 2004.

20 Contingent liabilities

There were no contingent liabilities as at 31 August 2005 or 31 August 2004.

21 Ultimate parent company

The directors consider that the ultimate parent company is Ardmore Language Schools Limited, a company registered in England & Wales, by virtue of its 100% ownership of the share capital of Active English Limited.