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Report of the Directors and
Financial Statements for the Year Ended 30 April 2005
for
RSO Limited



RSO Limited

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for the Year Ended 30 April 2005

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RSO Limited

Company Information
for the Year Ended 30 April 2005

DIRECTORS:

T T Friedag
J R Pester
J Giles
M E Carter

SECRETARY:

M E Carter

REGISTERED OFFICE:

The Ryes School
Little Henny
Sudbury
Suffolk
CO10 7EA

REGISTERED NUMBER:

4516845 (England and Wales)

AUDITORS:

Clarke & Co
12 North Hill
Colchester
Essex
CO1 1AS

RSO Limited

Report of the Directors for the Year Ended 30 April 2005

The directors present their report with the financial statements of the company for the year ended 30 April 2005.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of group holding company.

The group operates a residential school, training company and a Christmas tree farm.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

2005 was clearly a difficult year, consolidating the expansion of the middle and upper schools and the integration of new staff.

With the increased capacity we now look forward to welcoming new students into the school and offering a wider range of services and support systems to them.

DIVIDENDS

No dividends will be distributed for the year ended 30 April 2005.

DIRECTORS

The directors during the year under review were:

T T Friedag
J R Pester
J Giles
M E Carter

The beneficial interests of the directors holding office on 30 April 2005 in the issued share capital of the company were as follows:

	30.4.05	1.5.04
Ordinary "A" £1 shares		
T T Friedag	83,056	65,000
J R Pester	20,000	20,000
J Giles	25,556	20,000
M E Carter	-	-

COMPANY'S POLICY ON PAYMENT OF CREDITORS

The company agrees terms and conditions for its business transactions with suppliers. Payment is then made in accordance with there terms, subject to the terms and conditions made by the supplier.

GROUP ACCOUNTS

Under the Companies Act 1985 the group is defined as medium and as such is not required to prepare group accounts. An analysis of the investment in subsidiary companies is included in the notes to the accounts.

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.

RSO Limited

Report of the Directors
for the Year Ended 30 April 2005

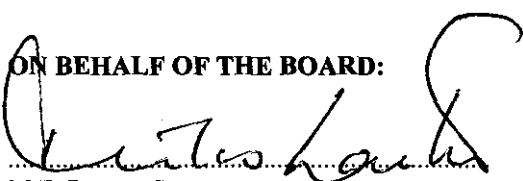
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Clarke & Co, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:


M E Carter - Secretary

Date: 24.2.05

Report of the Independent Auditors to the Shareholders of
RSO Limited

We have audited the financial statements of RSO Limited for the year ended 30 April 2005 on pages five to fifteen. These financial statements have been prepared under the historical cost convention and 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 on page two the company's directors are responsible for the preparation of 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 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 the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

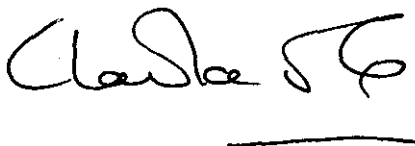
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 April 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Clarke & Co
12 North Hill
Colchester
Essex
CO1 1AS



Date: 27th February 2006

RSO Limited

Profit and Loss Account
for the Year Ended 30 April 2005

	Notes	30.4.05 £	30.4.04 £
TURNOVER		500,000	419,000
Administrative expenses		<u>65,031</u>	<u>41,893</u>
		434,969	377,107
Other operating income		<u>7,038</u>	<u>5,143</u>
OPERATING PROFIT	3	442,007	382,250
Interest receivable and similar income		<u>23,303</u>	<u>35,835</u>
		465,310	418,085
Interest payable and similar charges	4	<u>539,299</u>	<u>342,347</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(73,989)	75,738
Tax on (loss)/profit on ordinary activities	5	<u>-</u>	<u>-</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		<u>(73,989)</u>	<u>75,738</u>
(DEFICIT)/RETAINED PROFIT FOR THE YEAR		<u>(73,989)</u>	<u>75,738</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

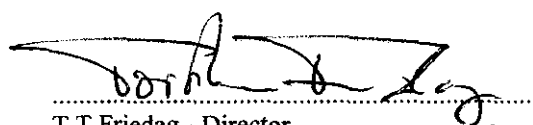
The company has no recognised gains or losses other than the loss for the current year and the profit for the previous year.

RSO Limited

Balance Sheet
30 April 2005

	Notes	30.4.05		30.4.04	
		£	£	£	£
FIXED ASSETS					
Tangible assets	6		4,429,619		3,982,054
Investments	7		<u>4,555,318</u>		<u>4,555,318</u>
			8,984,937		8,537,372
CURRENT ASSETS					
Debtors	8	175,515		164,900	
Cash at bank		<u>201,089</u>		<u>506,222</u>	
		376,604		671,122	
CREDITORS					
Amounts falling due within one year	9	<u>1,860,914</u>		<u>1,784,743</u>	
NET CURRENT LIABILITIES			<u>(1,484,310)</u>		<u>(1,113,621)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			7,500,627		7,423,751
CREDITORS					
Amounts falling due after more than one year 10			<u>7,237,912</u>		<u>7,137,047</u>
			<u>262,715</u>		<u>286,704</u>
CAPITAL AND RESERVES					
Called up share capital	13		250,000		200,000
Profit and loss account	14		<u>12,715</u>		<u>86,704</u>
SHAREHOLDERS' FUNDS	17		<u>262,715</u>		<u>286,704</u>

ON BEHALF OF THE BOARD:



T T Friedag - Director

Approved by the Board on 21 Feb 2006

RSO Limited

Cash Flow Statement
for the Year Ended 30 April 2005

	Notes	30.4.05 £	£	30.4.04 £	£
Net cash inflow from operating activities	1		464,453		464,108
Returns on investments and servicing of finance	2		(515,996)		(358,519)
Taxation			(286)		172
Capital expenditure and financial investment	2		<u>(483,370)</u>		<u>(3,740,305)</u>
			(535,199)		(3,634,544)
Financing	2		<u>230,066</u>		<u>3,939,639</u>
(Decrease)/Increase in cash in the period			<u>(305,133)</u>		<u>305,095</u>
<hr/>					
Reconciliation of net cash flow to movement in net debt	3				
(Decrease)/Increase in cash in the period		(305,133)		305,095	
Cash outflow/(inflow) from decrease/(increase) in debt		<u>411,304</u>		<u>(2,908,852)</u>	
Change in net debt resulting from cash flows			<u>106,171</u>		<u>(2,603,757)</u>
Movement in net debt in the period			106,171		(2,603,757)
Net debt at 1 May			<u>(7,292,630)</u>		<u>(4,688,873)</u>
Net debt at 30 April			<u>(7,186,459)</u>		<u>(7,292,630)</u>

The notes form part of these financial statements

Notes to the Cash Flow Statement
for the Year Ended 30 April 2005

1. **RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	30.4.05 £	30.4.04 £
Operating profit	442,007	382,250
Depreciation charges	35,805	7,679
(Decrease)/Increase in creditors	<u>(13,359)</u>	<u>74,179</u>
Net cash inflow from operating activities	<u>464,453</u>	<u>464,108</u>

2. **ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	30.4.05 £	30.4.04 £
Returns on investments and servicing of finance		
Interest received	23,303	35,835
Interest paid	(539,299)	(342,347)
Finance costs	<u>-</u>	<u>(52,007)</u>
Net cash outflow for returns on investments and servicing of finance	<u>(515,996)</u>	<u>(358,519)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(483,370)	(3,740,005)
Purchase of fixed asset investments	<u>-</u>	<u>(300)</u>
Net cash outflow for capital expenditure and financial investment	<u>(483,370)</u>	<u>(3,740,305)</u>
Financing		
New loans in year	680,066	3,955,500
Loan repayments in year	-	(1,046,649)
Movement on group balances	(500,000)	1,030,788
Share issue	<u>50,000</u>	<u>-</u>
Net cash inflow from financing	<u>230,066</u>	<u>3,939,639</u>

Notes to the Cash Flow Statement
for the Year Ended 30 April 2005

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.5.04 £	Cash flow £	At 30.4.05 £
Net cash:			
Cash at bank	<u>506,222</u>	<u>(305,133)</u>	<u>201,089</u>
	<u>506,222</u>	<u>(305,133)</u>	<u>201,089</u>
Debt:			
Debts falling due within one year	(661,805)	511,805	(150,000)
Debts falling due after one year	<u>(7,137,047)</u>	<u>(100,501)</u>	<u>(7,237,548)</u>
	<u>(7,798,852)</u>	<u>411,304</u>	<u>(7,387,548)</u>
Total	<u>(7,292,630)</u>	<u>106,171</u>	<u>(7,186,459)</u>

Notes to the Financial Statements
for the Year Ended 30 April 2005

1. **ACCOUNTING POLICIES**

Accounting convention

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

Turnover

Turnover represents management charges and dividend income from subsidiary undertakings.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property - 1% on cost

Fixed assets are depreciated from the month that they are brought into use.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

2. **STAFF COSTS**

	30.4.05	30.4.04
	£	£
Social security costs	<u>366</u>	<u>413</u>

The average monthly number of employees during the year was as follows:

	30.4.05	30.4.04
Directors	<u>4</u>	<u>4</u>

3. **OPERATING PROFIT**

The operating profit is stated after charging:

	30.4.05	30.4.04
	£	£
Depreciation - owned assets	35,805	7,679
Auditors' remuneration	2,902	3,231
Auditors' remuneration for non audit work	<u>-</u>	<u>887</u>
Directors' emoluments	<u>2,882</u>	<u>2,862</u>

The number of directors to whom retirement benefits were accruing was as follows:

	4	4
Money purchase schemes	<u>4</u>	<u>4</u>

Directors emoluments represents benefits in kind.

Notes to the Financial Statements - continued
for the Year Ended 30 April 2005

4. **INTEREST PAYABLE AND SIMILAR CHARGES**

	30.4.05	30.4.04
	£	£
Bank interest	2,086	144
Bank loan interest	518,810	318,729
Loan interest	<u>18,403</u>	<u>23,474</u>
	<u>539,299</u>	<u>342,347</u>

5. **TAXATION**

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 30 April 2005 nor for the year ended 30 April 2004.

6. **TANGIBLE FIXED ASSETS**

	Freehold property £
COST	
At 1 May 2004	3,989,733
Additions	<u>483,370</u>
At 30 April 2005	<u>4,473,103</u>
DEPRECIATION	
At 1 May 2004	7,679
Charge for year	<u>35,805</u>
At 30 April 2005	<u>43,484</u>
NET BOOK VALUE	
At 30 April 2005	<u>4,429,619</u>
At 30 April 2004	<u>3,982,054</u>

7. **FIXED ASSET INVESTMENTS**

	Shares in group undertakings £
COST	
At 1 May 2004 and 30 April 2005	<u>4,555,318</u>
NET BOOK VALUE	
At 30 April 2005	<u>4,555,318</u>
At 30 April 2004	<u>4,555,318</u>

7. **FIXED ASSET INVESTMENTS - continued**

The company's investments at the balance sheet date in the share capital of companies include the following:

The Ryes School Limited

Nature of business: School

Class of shares:	%
£1 Ordinary	holding 100.00

RSO Training Limited

Nature of business: Training company

Class of shares:	%
£1 Ordinary	holding 100.00

	30.4.05	30.4.04
	£	£
Aggregate capital and reserves	<u>1</u>	<u>1</u>

Pump Farm Limited

Nature of business: Not yet commenced trading

Class of shares:	%
£1 Ordinary	holding 100.00

	30.4.05	30.4.04
	£	£
Aggregate capital and reserves	<u>1</u>	<u>1</u>

Kesgrave Enterprises Limited

Nature of business: Christmas Tree Farm

Class of shares:	%
Ordinary	holding 100.00

	30.4.05	30.4.04
	£	£
Aggregate capital and reserves	<u>258</u>	<u>100</u>

RSO Properties Limited

Nature of business: Dormant

Class of shares:	%
Ordinary	holding 100.00

	30.4.05	30.4.04
	£	£
Aggregate capital and reserves	<u>100</u>	<u>100</u>

Kesgrave Hall School Ltd.

Nature of business: Dormant

Class of shares:	%
Ordinary	holding 100.00

	30.4.05	30.4.04
	£	£
Aggregate capital and reserves	<u>100</u>	<u>100</u>

Notes to the Financial Statements - continued
for the Year Ended 30 April 2005

8. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	30.4.05	30.4.04
	£	£
Amounts owed by group undertakings	<u>175,515</u>	<u>164,900</u>

9. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	30.4.05	30.4.04
	£	£
Bank loans and overdrafts (see note 11)	-	511,805
Other loans (see note 11)	150,000	150,000
Amounts owed to group undertakings	1,647,546	1,045,561
Tax	-	650
Other creditors	-	8,733
Accruals and deferred income	<u>63,368</u>	<u>67,994</u>
	<u>1,860,914</u>	<u>1,784,743</u>

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

	30.4.05	30.4.04
	£	£
Bank loans (see note 11)	7,237,548	6,987,047
Other loans (see note 11)	-	150,000
Tax	<u>364</u>	<u>-</u>
	<u>7,237,912</u>	<u>7,137,047</u>

11. **LOANS**

An analysis of the maturity of loans is given below:

	30.4.05	30.4.04
	£	£
Amounts falling due within one year or on demand:		
Bank Mortgages	-	348,927
Bank loan	-	162,878
Deferred loan	<u>150,000</u>	<u>150,000</u>
	<u>150,000</u>	<u>661,805</u>
Amounts falling due between two and five years:		
Bank Mortgages	1,775,313	1,395,708
Bank loan	-	651,511
Deferred loan	<u>-</u>	<u>150,000</u>
	<u>1,775,313</u>	<u>2,197,219</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Bank Mortgages	5,462,235	4,812,050
Bank loan	<u>-</u>	<u>127,778</u>
	<u>5,462,235</u>	<u>4,939,828</u>

Notes to the Financial Statements - continued
for the Year Ended 30 April 2005

12. **SECURED DEBTS**

The following secured debts are included within creditors:

	30.4.05	30.4.04
	£	£
Bank loans	7,237,548	7,498,852
Deferred loan	<u>150,000</u>	<u>300,000</u>
	<u>7,387,548</u>	<u>7,798,852</u>

The company's loans are secured by a full debenture on its assets and those of all group companies.

13. **CALLED UP SHARE CAPITAL**

Authorised:			30.4.05	30.4.04
Number:	Class:	Nominal value:	£	£
500,000	Ordinary "A"	£1	500,000	500,000
200,000	Ordinary "B"	£1	<u>200,000</u>	<u>200,000</u>
			<u>700,000</u>	<u>700,000</u>

Allotted, issued and fully paid:			30.4.05	30.4.04
Number:	Class:	Nominal value:	£	£
250,000	Ordinary "A"	£1	250,000	200,000
(30.4.04 - 200,000)			<u> </u>	<u> </u>

The following shares were allotted and fully paid for cash at par during the year:

50,000 Ordinary "A" shares of £1 each

14. **RESERVES**

	Profit and loss account
	£
At 1 May 2004	86,704
Deficit for the year	<u>(73,989)</u>
At 30 April 2005	<u>12,715</u>

15. **CAPITAL COMMITMENTS**

	30.4.05	30.4.04
	£	£
Contracted but not provided for in the financial statements	<u>-</u>	<u>433,000</u>

Notes to the Financial Statements - continued
for the Year Ended 30 April 2005

16. RELATED PARTY DISCLOSURES

The company owed its subsidiary, The Ryes School Limited £2,147,546 at 30 April 2005 (2004, £1,045,561).
The company was owed by its subsidiary RSO Training Limited £3,234 at 30 April 2005 (2004, £0).
The company was owed by its subsidiary Kesgrave Enterprises Limited £172,280 at 30 April 2005 (2004 £164,900).

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	30.4.05	30.4.04
	£	£
(Loss)/Profit for the financial year	(73,989)	75,738
Issue of shares	<u>50,000</u>	<u>-</u>
Net (reduction)/addition to shareholders' funds	(23,989)	75,738
Opening shareholders' funds	<u>286,704</u>	<u>210,966</u>
Closing shareholders' funds	<u>262,715</u>	<u>286,704</u>
 Equity interests	 <u>262,715</u>	 <u>286,704</u>