

1279886

REPORT OF THE DIRECTOR AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2002
FOR
CALLAN METHOD ORGANISATION LIMITED



CALLAN METHOD ORGANISATION LIMITED

CONTENTS OF THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31ST DECEMBER 2002**

	Page
Company Information	1
Report of the Director	2
Report of the Independent Auditors	3
Profit and Loss Account	5
Balance Sheet	6
Cash Flow Statement	7
Notes to the Cash Flow Statement	8
Notes to the Financial Statements	10
Trading and Profit and Loss Account	15

CALLAN METHOD ORGANISATION LIMITED

COMPANY INFORMATION **FOR THE YEAR ENDED 31ST DECEMBER 2002**

DIRECTOR:

Mr R K Callan

SECRETARY:

Temple Secretaries Limited

REGISTERED OFFICE:

Orchard House
45 Mill Way
Grantchester
Cambridge
CB3 9ND

REGISTERED NUMBER:

1479886 (England and Wales)

AUDITORS:

The Paris Partnership
Chartered Accountants
and Registered Auditors
Russell House
140 High Street
Edgware
Middx HA8 7LW

CALLAN METHOD ORGANISATION LIMITED

REPORT OF THE DIRECTOR **FOR THE YEAR ENDED 31ST DECEMBER 2002**

The director presents his report with the financial statements of the company for the year ended 31st December 2002.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of an English language school using the Callan Method of teaching.

REVIEW OF BUSINESS

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

DIVIDENDS

No dividends will be distributed for the year ended 31st December 2002.

DIRECTOR

Mr R K Callan was the sole director during the year under review.

His beneficial interest in the issued share capital of the company was as follows:

	31.12.02	1.1.02
Ordinary £1.00 shares	19,999	19,999

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

Company law requires the director 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 director is required to

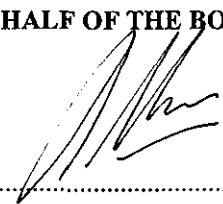
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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.

AUDITORS

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

ON BEHALF OF THE BOARD:


.....
Mr R K Callan - Director

Date: 18/12/03

CALLAN METHOD ORGANISATION LIMITED

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF CALLAN METHOD ORGANISATION LIMITED

We have audited the financial statements of Callan Method Organisation Limited for the year ended 31st December 2002 on pages five to fourteen. 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 director and auditors

As described on page two the company's director is 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 Director 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 director's remuneration and transactions with the company is not disclosed.

We read the Report of the Director 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 director 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.

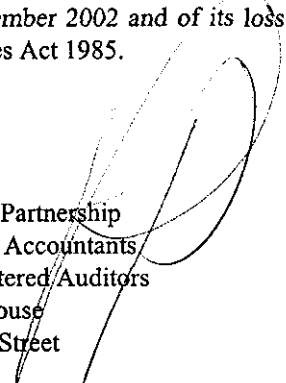
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

CALLAN METHOD ORGANISATION LIMITED

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF CALLAN METHOD ORGANISATION LIMITED

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



The Paris Partnership
Chartered Accountants
and Registered Auditors
Russell House
140 High Street
Edgware
Middx HA8 7LW

Date:18/12/03.....

CALLAN METHOD ORGANISATION LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2002

	Notes	2002 £	2001 £
TURNOVER		2,932,689	3,064,211
Cost of sales		(1,786,275)	(1,790,173)
GROSS PROFIT		1,146,414	1,274,038
Administrative expenses		(1,190,271)	(1,139,619)
OPERATING (LOSS)/PROFIT	3	(43,857)	134,419
Interest receivable and similar income		756	7,762
		(43,101)	142,181
Interest payable and similar charges	4	(3,590)	-
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(46,691)	142,181
Tax on (loss)/profit on ordinary activities	5	12,320	(28,297)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		(34,371)	113,884
Retained profit/(deficit) brought forward		32,392	(81,492)
(DEFICIT)/RETAINED PROFIT CARRIED FORWARD		£(1,979)	£32,392

CONTINUING OPERATIONS

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

TOTAL RECOGNISED GAINS AND LOSSES

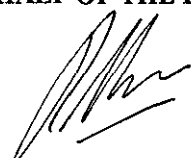
The company has no recognised gains or losses other than the loss for the current year and the profit for the previous year.

CALLAN METHOD ORGANISATION LIMITED

BALANCE SHEET 31ST DECEMBER 2002

	Notes	2002 £	2001 £
FIXED ASSETS:			
Tangible assets	6	27,064	12,427
Investments	7	286,018	286,018
		<u>313,082</u>	<u>298,445</u>
CURRENT ASSETS:			
Stocks	8	48,250	33,932
Debtors	9	229,763	363,132
Cash at bank and in hand		76,129	118,677
		<u>354,142</u>	<u>515,741</u>
CREDITORS: Amounts falling due within one year	10	(649,203)	(761,794)
NET CURRENT LIABILITIES:		<u>(295,061)</u>	<u>(246,053)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:		<u>£18,021</u>	<u>£52,392</u>
CAPITAL AND RESERVES:			
Called up share capital	12	20,000	20,000
Profit and loss account		(1,979)	32,392
SHAREHOLDERS' FUNDS:	15	<u>£18,021</u>	<u>£52,392</u>

ON BEHALF OF THE BOARD:



.....
Mr R K Callan - Director

Approved by the Board on 18/12/03

The notes form part of these financial statements

CALLAN METHOD ORGANISATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2002

	Notes	2002 £	2001 £
Net cash inflow from operating activities	1	27,036	362,098
Returns on investments and servicing of finance	2	(2,834)	7,762
Taxation		(28,297)	(53,929)
Capital expenditure and financial investment	2	(31,891)	(291,494)
		<u>(35,986)</u>	<u>24,437</u>
Financing	2	(6,562)	6,561
(Decrease)/Increase in cash in the period		<u>£(42,548)</u>	<u>£30,998</u>
Reconciliation of net cash flow to movement in net funds	3		
(Decrease)/Increase in cash in the period		<u>(42,548)</u>	<u>30,998</u>
Change in net funds resulting from cash flows		<u>(42,548)</u>	<u>30,998</u>
Movement in net funds in the period		<u>(42,548)</u>	<u>30,998</u>
Net funds at 1st January		<u>118,677</u>	<u>87,679</u>
Net funds at 31st December		<u>£76,129</u>	<u>£118,677</u>

The notes form part of these financial statements

CALLAN METHOD ORGANISATION LIMITED

NOTES TO THE CASH FLOW STATEMENT **FOR THE YEAR ENDED 31ST DECEMBER 2002**

1. RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002	2001
	£	£
Operating (loss)/profit	(43,857)	134,419
Depreciation charges	17,255	9,091
(Increase)/Decrease in stocks	(14,318)	14,338
Decrease/(Increase) in debtors	145,689	(62,505)
(Decrease)/Increase in creditors	(77,733)	266,755
Net cash inflow from operating activities	27,036	362,098

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

	2002	2001
	£	£
Returns on investments and servicing of finance		
Interest received	756	7,762
Interest paid	(3,590)	-
Net cash (outflow)/inflow for returns on investments and servicing of finance	(2,834)	7,762
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(31,891)	(5,477)
Cash payments - investmt purch	-	(286,017)
Net cash outflow for capital expenditure	(31,891)	(291,494)
Financing		
Amount introduced by directors	-	6,561
Amount withdrawn by directors	(6,562)	-
Net cash (outflow)/inflow from financing	(6,562)	6,561

CALLAN METHOD ORGANISATION LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2002

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.02 £	Cash flow £	At 31.12.02 £
Net cash:			
Cash at bank and in hand	118,677	(42,548)	76,129
	<u>118,677</u>	<u>(42,548)</u>	<u>76,129</u>
Total	<u>118,677</u>	<u>(42,548)</u>	<u>76,129</u>
Analysed in Balance Sheet			
Cash at bank and in hand	118,677		76,129
	<u>118,677</u>		<u>76,129</u>

CALLAN METHOD ORGANISATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31ST DECEMBER 2002**

1. ACCOUNTING POLICIES

Accounting convention

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

Turnover

Turnover represents amounts receivable for goods and services provided, excluding value added tax and trade discounts. At the year end, all receipts in respect of goods and services not yet provided are reflected as deferred income.

Tangible fixed assets

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

Leasehold property	- over the term of the lease
Fixtures and fittings	- 25% on cost
Motor vehicles	- 25% on cost
Computer equipment	- 33% on cost

Stocks

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

Deferred tax

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

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Going concern

The director believes the going concern basis to be the most appropriate for preparation of these financial statements because the company was able to meet its obligations in full for services paid in advance at the balance sheet date and included in creditors as deferred income of £345,711.

2. STAFF COSTS

	2002	2001
	£	£
Wages and salaries	1,459,346	1,481,659
Social security costs	90,061	97,989
	<u>1,549,407</u>	<u>1,579,648</u>

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

	2002	2001
Management	4	5
Administration	140	132
	<u>144</u>	<u>137</u>

CALLAN METHOD ORGANISATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2002

3. OPERATING (LOSS)/PROFIT

The operating loss (2001 - operating profit) is stated after charging:

	2002	2001
	£	£
Hire of plant and machinery	799	799
Operating leases - premises	668,646	517,494
Depreciation - owned assets	17,255	9,091
Auditors' remuneration	5,788	5,000
	<u> </u>	<u> </u>
Director's emoluments	-	-
	<u> </u>	<u> </u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2002	2001
	£	£
Interest on Overdue Tax	3,590	-
	<u> </u>	<u> </u>

5. TAXATION

Analysis of the tax (credit)/charge

The tax (credit)/charge on the loss on ordinary activities for the year was as follows:

	2002	2001
	£	£
Current tax:		
UK corporation tax	-	28,297
Corporation tax recoverable	(12,320)	-
	<u> </u>	<u> </u>
Total current tax	(12,320)	28,297
	<u> </u>	<u> </u>
Tax on (loss)/profit on ordinary activities	(12,320)	28,297
	<u> </u>	<u> </u>

CALLAN METHOD ORGANISATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2002

6. TANGIBLE FIXED ASSETS

	Leasehold property	Fixtures and fittings	Motor vehicles	Computer equipment	Totals
	£	£	£	£	£
COST:					
At 1st January 2002	67,304	129,791	34,078	58,913	290,086
Additions	-	5,827	-	26,064	31,891
At 31st December 2002	67,304	135,618	34,078	84,977	321,977
DEPRECIATION:					
At 1st January 2002	67,304	122,371	34,078	53,905	277,658
Charge for year	-	4,926	-	12,329	17,255
At 31st December 2002	67,304	127,297	34,078	66,234	294,913
NET BOOK VALUE:					
At 31st December 2002	-	8,321	-	18,743	27,064
At 31st December 2001	-	7,420	-	5,007	12,427

7. FIXED ASSET INVESTMENTS

	£
COST:	
At 1st January 2002 and 31st December 2002	286,018
NET BOOK VALUE:	
At 31st December 2002	286,018
At 31st December 2001	286,018

	2002	2001
	£	£
Unlisted investments	286,018	286,018

8. STOCKS

	2002	2001
	£	£
Stock - Books	46,136	31,426
Stock - Tapes	2,114	2,506
	48,250	33,932

CALLAN METHOD ORGANISATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2002

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

	2002	2001
	£	£
Trade debtors	8,741	5,901
Other debtors	-	151,846
Prepayments & accrued income	208,702	205,385
Corporation tax refundable	12,320	-
	<u>229,763</u>	<u>363,132</u>

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

	2002	2001
	£	£
Trade creditors	47,342	17,674
Director's current account	-	6,561
Other creditors	44,018	-
Social security & other taxes	28,981	39,429
Taxation	-	28,297
Accruals and deferred income	528,862	669,833
	<u>649,203</u>	<u>761,794</u>

11. OBLIGATIONS UNDER LEASING AGREEMENTS

The following payments are committed to be paid within one year:

	Land and buildings operating leases	2002	2001
		£	£
Expiring:			
Between one and five years		-	63,744
In more than five years		635,781	572,037
		<u>635,781</u>	<u>635,781</u>

CALLAN METHOD ORGANISATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2002

12. CALLED UP SHARE CAPITAL

Authorised: Number:	Class:	Nominal value:	2002 £	2001 £
50,000	Ordinary	£1.00	<u>50,000</u>	<u>50,000</u>

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2002 £	2001 £
20,000	Ordinary	£1.00	<u>20,000</u>	<u>20,000</u>

13. OTHER FINANCIAL COMMITMENTS

The company's bankers have provided a guarantee facility in the amount of £287,000 and a card acquire settlement facility of £60,100. These facilities are secured by fixed and floating charges over the assets of the company, a personal guarantee of the director in the amount of £25,000 and a charge over the company's investments with HSBC Life (Europe) Limited.

14. RELATED PARTY DISCLOSURES

The company was under the control of Mr R K T Callan, the sole director and majority shareholder, throughout the current and previous year. His interests in the company are disclosed in the Director's Report.

The company's head office is situated at Orchard House, Grantchester, Cambridge, a property owned by Mr Callan. The company pays a rent for this facility of £15,000 per annum which is considered by the director to represent a commercial rate.

The company also traded at arms-length with Orchard Publishing Co Limited, a company beneficially owned and controlled by Mr R K T Callan. In the year under review the company purchased educational books, tapes and marketing literature from Orchard Publishing Co Limited amounting to £172,035 (2001: £143,375). Additionally, payments made to Orchard Publishing Co Limited in respect of consultancy fees were nil (2001: £25,465). The balance owed to Orchard Publishing Co Limited at the balance sheet date was £20,873 (2001: £665).

During the year, the company received loans from and repaid loans to Orchard Publishing Co Limited. At the year end, £44,018 remains payable to (2001: £134,056 due from) Orchard Publishing Co Limited.

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
(Loss)/Profit for the financial year	<u>(34,371)</u>	<u>113,884</u>
Net (reduction)/addition to shareholders' funds	<u>(34,371)</u>	<u>113,884</u>
Opening shareholders' funds	<u>52,392</u>	<u>(61,492)</u>
Closing shareholders' funds	<u>18,021</u>	<u>52,392</u>
Equity interests	<u>18,021</u>	<u>52,392</u>