

REPORT OF THE DIRECTOR AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2003
FOR
CALLAN METHOD ORGANISATION LIMITED



CALLAN METHOD ORGANISATION LIMITED

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CALLAN METHOD ORGANISATION LIMITED

COMPANY INFORMATION **FOR THE YEAR ENDED 31ST DECEMBER 2003**

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 2003**

The director presents his report with the financial statements of the company for the year ended 31st December 2003.

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 2003.

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:

	31.12.03	1.1.03
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

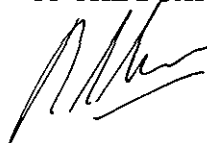
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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: 27/9/04

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 2003 on pages four to thirteen. 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.

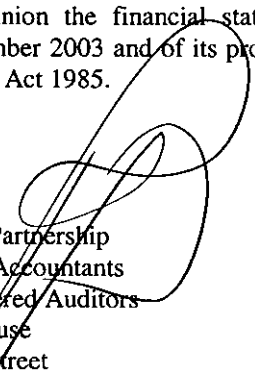
Basis of audit opinion

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.

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 2003 and of its profit 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: 27/9/04

CALLAN METHOD ORGANISATION LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2003

	Notes	2003 £	2002 £
TURNOVER		2,933,409	2,932,689
Cost of sales		(1,633,355)	(1,786,275)
GROSS PROFIT		1,300,054	1,146,414
Administrative expenses		(1,164,914)	(1,190,271)
OPERATING PROFIT/(LOSS)	3	135,140	(43,857)
Interest receivable and similar income		1,507	756
		136,647	(43,101)
Amounts written off investments	4	(11,607)	-
		125,040	(43,101)
Interest payable and similar charges	5	-	(3,590)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		125,040	(46,691)
Tax on profit/(loss) on ordinary activities	6	(27,181)	12,320
PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION		97,859	(34,371)
(Deficit)/Retained profit brought forward		(1,979)	32,392
RETAINED PROFIT/(DEFICIT) CARRIED FORWARD		£95,880	£(1,979)

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 profit for the current year and the loss for the previous year.

CALLAN METHOD ORGANISATION LIMITED

BALANCE SHEET 31ST DECEMBER 2003

	Notes	2003 £	2002 £
FIXED ASSETS:			
Tangible assets	7	19,093	27,064
Investments	8	274,411	286,018
		<u>293,504</u>	<u>313,082</u>
CURRENT ASSETS:			
Stocks	9	45,319	48,250
Debtors	10	308,056	229,763
Cash at bank and in hand		130,584	76,129
		<u>483,959</u>	<u>354,142</u>
CREDITORS: Amounts falling due within one year	11	<u>(661,583)</u>	<u>(649,203)</u>
NET CURRENT LIABILITIES:		<u>(177,624)</u>	<u>(295,061)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:		<u>£115,880</u>	<u>£18,021</u>
CAPITAL AND RESERVES:			
Called up share capital	13	20,000	20,000
Profit and loss account		95,880	(1,979)
SHAREHOLDERS' FUNDS:	15	<u>£115,880</u>	<u>£18,021</u>

ON BEHALF OF THE BOARD:



.....
Mr R K Callan - Director

Approved by the Board on 27/9/04

The notes form part of these financial statements

CALLAN METHOD ORGANISATION LIMITED

CASH FLOW STATEMENT **FOR THE YEAR ENDED 31ST DECEMBER 2003**

	Notes	2003 £	2002 £
Net cash inflow from operating activities	1	68,662	27,036
Returns on investments and servicing of finance	2	1,507	(2,834)
Taxation		(8,500)	(28,297)
Capital expenditure	2	(7,214)	(31,891)
		<u>54,455</u>	<u>(35,986)</u>
Financing	2	-	(6,562)
Increase/(Decrease) in cash in the period		<u>£54,455</u>	<u>£(42,548)</u>
Reconciliation of net cash flow to movement in net funds	3		
Increase/(Decrease) in cash in the period		<u>54,455</u>	<u>(42,548)</u>
Change in net funds resulting from cash flows		<u>54,455</u>	<u>(42,548)</u>
Movement in net funds in the period		<u>54,455</u>	<u>(42,548)</u>
Net funds at 1st January		<u>76,129</u>	<u>118,677</u>
Net funds at 31st December		<u>£130,584</u>	<u>£76,129</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 2003**

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

	2003	2002
	£	£
Operating profit/(loss)	135,140	(43,857)
Depreciation charges	15,184	17,255
Decrease/(Increase) in stocks	2,931	(14,318)
(Increase)/Decrease in debtors	(69,792)	145,689
Decrease in creditors	(14,801)	(77,733)
Net cash inflow from operating activities	68,662	27,036

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

	2003	2002
	£	£
Returns on investments and servicing of finance		
Interest received	1,507	756
Interest paid	-	(3,590)
Net cash inflow/(outflow) for returns on investments and servicing of finance	1,507	(2,834)
Capital expenditure		
Purchase of tangible fixed assets	(7,214)	(31,891)
Net cash outflow for capital expenditure	(7,214)	(31,891)
Financing		
Amount withdrawn by directors	-	(6,562)
Net cash outflow from financing	-	(6,562)

CALLAN METHOD ORGANISATION LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2003

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.03 £	Cash flow £	At 31.12.03 £
Net cash:			
Cash at bank and in hand	76,129	54,455	130,584
	<u>76,129</u>	<u>54,455</u>	<u>130,584</u>
Total	<u>76,129</u>	<u>54,455</u>	<u>130,584</u>
Analysed in Balance Sheet			
Cash at bank and in hand	76,129		130,584
	<u>76,129</u>		<u>130,584</u>

CALLAN METHOD ORGANISATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31ST DECEMBER 2003**

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 £296,392.

2. STAFF COSTS

	2003 £	2002 £
Wages and salaries	1,326,607	1,459,346
Social security costs	89,854	90,061
	<u>1,416,461</u>	<u>1,549,407</u>

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

	2003	2002
Management	4	4
Administration	130	140
	<u>134</u>	<u>144</u>

CALLAN METHOD ORGANISATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31ST DECEMBER 2003**

3. OPERATING PROFIT/(LOSS)

The operating profit (2002 - operating loss) is stated after charging:

	2003	2002
	£	£
Hire of plant and machinery	799	799
Operating leases - premises	711,515	668,646
Depreciation - owned assets	15,184	17,255
Auditors' remuneration	5,855	5,788
	<u> </u>	<u> </u>
Director's emoluments	-	-
	<u> </u>	<u> </u>

4. AMOUNTS WRITTEN OFF INVESTMENTS

	2003	2002
	£	£
Investments write down	11,607	-
	<u> </u>	<u> </u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2003	2002
	£	£
Interest on Overdue Tax	-	3,590
	<u> </u>	<u> </u>

6. TAXATION

Analysis of the tax charge/(credit)

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

	2003	2002
	£	£
Current tax:		
UK corporation tax	27,181	-
Corporation tax recoverable	-	(12,320)
	<u> </u>	<u> </u>
Total current tax	27,181	(12,320)
	<u> </u>	<u> </u>
Tax on profit/(loss) on ordinary activities	27,181	(12,320)
	<u> </u>	<u> </u>

CALLAN METHOD ORGANISATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2003

7. TANGIBLE FIXED ASSETS

	Leasehold property	Fixtures and fittings	Motor vehicles	Computer equipment	Totals
	£	£	£	£	£
COST:					
At 1st January 2003	67,304	135,618	34,078	84,977	321,977
Additions	-	6,405	-	809	7,214
At 31st December 2003	67,304	142,023	34,078	85,786	329,191
DEPRECIATION:					
At 1st January 2003	67,304	127,297	34,078	66,235	294,914
Charge for year	-	4,862	-	10,322	15,184
At 31st December 2003	67,304	132,159	34,078	76,557	310,098
NET BOOK VALUE:					
At 31st December 2003	-	9,864	-	9,229	19,093
At 31st December 2002	-	8,321	-	18,743	27,064

8. FIXED ASSET INVESTMENTS

	£	
COST:		
At 1st January 2003 and 31st December 2003	<u>286,018</u>	
PROVISIONS:		
Provision during year	<u>11,607</u>	
At 31st December 2003	<u>11,607</u>	
NET BOOK VALUE:		
At 31st December 2003	<u><u>274,411</u></u>	
<i>At 31st December 2002</i>	<u><u>286,018</u></u>	
	2003	2002
	£	£
Unlisted investments	<u>274,411</u>	<u>286,018</u>

CALLAN METHOD ORGANISATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2003

9. STOCKS

	2003	2002
	£	£
Stock - Books	41,651	46,136
Stock - Tapes	3,668	2,114
	<u>45,319</u>	<u>48,250</u>

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003	2002
	£	£
Trade debtors	1,819	8,741
Other debtors	57,671	-
Prepayments & accrued income	227,746	208,702
Corporation tax refundable	20,820	12,320
	<u>308,056</u>	<u>229,763</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003	2002
	£	£
Trade creditors	82,025	47,342
Other creditors	48,045	44,018
Social security & other taxes	24,767	28,981
Taxation	27,181	-
Accruals and deferred income	479,565	528,862
	<u>661,583</u>	<u>649,203</u>

12. OBLIGATIONS UNDER LEASING AGREEMENTS

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

	Land and buildings operating leases	2002
	2003	£
	£	
Expiring:		
In more than five years	<u>686,599</u>	<u>635,781</u>

CALLAN METHOD ORGANISATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2003

13. CALLED UP SHARE CAPITAL

Authorised:			2003	2002
Number:	Class:	Nominal value:	£	£
50,000	Ordinary	£1.00	<u>50,000</u>	<u>50,000</u>

Allotted, issued and fully paid:			2003	2002
Number:	Class:	Nominal value:	£	£
20,000	Ordinary	£1.00	<u>20,000</u>	<u>20,000</u>

14. 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 £25,800. 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.

15. 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 £162,618 (2002: £172,035). Additionally, payments made to Orchard Publishing Co Limited in respect of management fees were £45,000 (2002: £nil). The balance owed to Orchard Publishing Co Limited at the balance sheet date was £105,503 (2002: £20,873).

During the year, the company received loans from and repaid loans to Orchard Publishing Co Limited. At the year end, £47,815 (2002: £44,018) remains payable to Orchard Publishing Co Limited.

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003	2002
	£	£
Profit/(Loss) for the financial year	<u>97,859</u>	<u>(34,371)</u>
Net addition/(reduction) to shareholders' funds	<u>97,859</u>	<u>(34,371)</u>
Opening shareholders' funds	<u>18,021</u>	<u>52,392</u>
Closing shareholders' funds	<u>115,880</u>	<u>18,021</u>
Equity interests	<u>115,880</u>	<u>18,021</u>