

COXLEASE SCHOOL LIMITED

Co. Number
2496463
✓

DIRECTORS' REPORT FOR THE YEAR ENDED 31ST AUGUST 2002

Directors' Responsibilities

Company law requires us as 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, we 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 a going concern basis unless it is inappropriate to presume that the company will continue in business.

We are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable us to ensure that the financial statements comply with the Companies Act 1985. We 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.

Directors

The following were Directors of this Company and were also Directors and Shareholders of the intermediate Holding Company, High Coxlease Limited up to 30 August 2002:

A.P. Orchard, Esq. (resigned 30 August 2002)
D.G. Hendley, Esq. (resigned 30 August 2002)
D.K. Weston, Esq. (resigned 30 August 2002)
J.E. Bloomfield, Esq. (resigned 30 August 2002)

The following were Directors of this Company (only) during the year and at the year end of Coxlease Holdings Limited:

J. Colclough, Esq.
S F Cliften, Esq. was appointed a Director with effect from 1 January 2002.

Secretary

J. Colclough, Esq.

Registration Number: 2496463

Registered Office

Charter Court
Third Avenue
Millbrook
SOUTHAMPTON
SO15 0AP



Principal Activities

The principal activity of the company throughout the year was the operation of a residential school.

Results

The profit for the year after tax amounted to £92,063. After dividends of £3,907, the balance of £88,156 was transferred to revenue reserve.

COXLEASE SCHOOL LIMITED

DIRECTORS' REPORT - CONTINUED FOR THE YEAR ENDED 31ST AUGUST 2002

Review Of The Business

The number of pupils on roll continued at near optimum levels which could be taken based on bedroom availability and fees increased by 13.4%.

The average number of staff on roll increased from 145 to 172 at the end of August 2002.

During the year it was decided to move into the Post 16 market and a house for up to 3 boys was purchased in September 2002 for this purpose.

Directors' Interests

The interests of the Directors in the shares of the company at the beginning and end of the year, were as follows:

	Coxlease School Limited		Ordinary Shares of £1 Each	
	31.8.02	31.8.01	Coxlease Holdings Limited 31.8.02	High Coxlease Limited 31.8.01
D.G. Hendley	-	-	-	17,250
A.P. Orchard	-	-	-	17,250
D.K. Weston	-	-	-	3,000
J.E. Bloomfield	-	-	-	-
J. Colclough	800	800	5,000	-
S.F. Clifffen	800	-	45,000	-

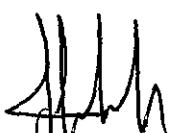
Auditors

The auditors, HLB AV Audit Plc, successors to Horwath Warner Marsh, have indicated their willingness to accept re-appointment.

Medium Sized Company Provisions

This Report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium sized companies.

On behalf of the Board


Secretary J. COLCLOUGH

Date: 27/11/2002

COXLEASE SCHOOL LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF COXLEASE SCHOOL LIMITED

We have audited the financial statements on pages 4 to 16 which have been prepared under the accounting policies set out on page 8.

Respective Responsibilities of Directors and Auditors

As described in the statement of directors' responsibilities on page 1 the company's directors are responsible for the preparation of the 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 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 transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Opinion

We conducted our audit in accordance with 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 mis-statement, 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.

Unqualified Opinion

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

HLB AV Audit Plc

HLB AV AUDIT PLC

Registered Auditors

28th November 2002.

Charter Court
Third Avenue
Millbrook
SOUTHAMPTON
SO15 0AP

COXLEASE SCHOOL LIMITED

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

	Note	2002 £	2001 £
Turnover	2	4,583,815	4,050,446
Administrative Expenses		4,455,590	3,932,233
		<hr/>	<hr/>
Operating Profit	3	128,225	118,213
Other interest receivable and similar income	5	8,660	9,428
		<hr/>	<hr/>
		136,885	127,641
Interest payable and similar charges		21,243	6,357
		<hr/>	<hr/>
Profit on Ordinary Activities before Taxation		115,642	121,284
Tax on profit on ordinary activities	6	23,579	29,131
		<hr/>	<hr/>
Profit for the Financial Year		92,063	92,153
Dividends	7	3,907	60,000
		<hr/>	<hr/>
Retained Profit for the Financial Year	13	88,156	32,153
		<hr/>	<hr/>

The notes on pages 8 to 16 form an integral part of these financial statements.

COXLEASE SCHOOL LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31ST AUGUST 2002

	2002 £	2001 £
Profit for the financial year	92,063	92,153
Excess depreciation released from Revaluation Reserve	2,100	-
Release of deferred tax provision in respect of revalued property	-	5,700
Total Recognised Gains and Losses Relating to the Year	<u>94,163</u>	<u>97,853</u>

Note of Historical Cost Profits and Losses

There is no material difference between profit stated on the revaluation and historical cost bases.

The notes on pages 8 to 16 form an integral part of these financial statements.

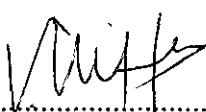
COXLEASE SCHOOL LIMITED

BALANCE SHEET AT 31ST AUGUST 2002

	Note	£	2002 £	£	2001 £
Fixed Assets					
Tangible Assets	8		749,791		753,003
Current Assets					
Debtors	9	235,947		114,925	
Cash at Bank and in Hand		631,409		391,532	
			<hr/>	<hr/>	
		867,356		506,457	
Creditors					
Amounts falling due within one year	10	1,245,047		972,816	
			<hr/>	<hr/>	
Net Current Liabilities			377,691		466,359
			<hr/>	<hr/>	
Total Assets less Current Liabilities			372,100		286,644
Provision for Liabilities and Charges	11		12,100		14,800
			<hr/>	<hr/>	
Net Assets			360,000		271,844
			<hr/>	<hr/>	
Capital and Reserves					
Called up Share Capital	12		50,000		50,000
Profit and Loss Account	13		271,867		181,611
Revaluation Reserve	13		38,133		40,233
			<hr/>	<hr/>	
Shareholders' Funds	14		360,000		271,844
			<hr/>	<hr/>	

These accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium sized companies.

On behalf of the Board



 Director **S.F. CLIFFEN**

27/11/02

 Date

The notes on pages 8 to 16 form an integral part of these financial statements.

COXLEASE SCHOOL LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST AUGUST 2002

	Note	2002 £	2001 £
Net Cash Inflow from Operating Activities	18	434,050	271,067
Returns on Investments and Servicing of Finance			
Interest Received		8,660	9,428
Interest Paid on Finance Leases		(21,243)	(6,357)
		<u>(12,583)</u>	<u>3,071</u>
Taxation			
Corporation Tax Paid		(29,779)	(30,131)
Capital Expenditure			
Payments to acquire Fixed Assets		(195,636)	(67,796)
Receipts from Sales of Fixed Assets		72,627	-
		<u>(123,009)</u>	<u>(67,796)</u>
Equity Dividends Paid		(60,000)	(25,000)
Financing	20		
New Finance Lease Agreement		131,788	14,844
Amounts Repaid/(Withdrawn) by Directors		-	-
Borrowed From Parent Company		-	-
Finance Lease Capital Repayments		(100,590)	(23,511)
		<u>31,198</u>	<u>(8,667)</u>
Increase in Cash	19	<u>239,877</u>	<u>142,544</u>
Reconciliation of Net Cash Flow to Movement in Net Funds			
Increase in Cash in the Year		239,877	142,544
Advanced under Finance Lease		(131,788)	(14,844)
Finance Lease Repayments		100,590	23,511
		<u>208,679</u>	<u>151,211</u>
Change in Net Funds		208,679	151,211
Net Funds at 1st September 2001		372,032	220,821
Net Funds at 31st August 2002		<u>580,711</u>	<u>372,032</u>

COXLEASE SCHOOL LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST AUGUST 2002

1 Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below and have remained unchanged from the previous year, and also have been consistently applied within the same accounts.

Basis of Preparation of Financial Statements

The financial statements have been prepared under the historic cost convention, as modified by the revaluation of certain fixed assets as detailed in Note 8 below, and in accordance with applicable accounting standards except that the Directors have taken advantage of certain provisions for medium sized companies.

Depreciation

Depreciation has been computed to write off the cost of tangible fixed assets over their expected useful lives using the following rates:

Freehold Property	- 2% per annum of cost or revalued amount
Fixtures, Fittings and Equipment	- 15%-33% reducing balance
Property Improvements and Portable Classrooms	- 10% per annum of cost
Motor Vehicles	- 25% reducing balance

Depreciation on freehold properties is calculated on the cost or valuation of the assets held at the beginning of the year and the cost of assets acquired during the year.

The tangible fixed assets that are carried at valuation were valued in the accounting period ending 31st August 1999, as set out in Note 8. The company has adopted the transitional provisions of FRS15 in respect of these assets and will not revalue them in the future.

Deferred Taxation

Deferred taxation is provided on the liability method. Tax deferred or accelerated is accounted for in respect of all material timing differences

Pension Contributions

The company contributes to pension schemes covering the Directors, teachers and other staff. The Directors and other staff schemes are defined contribution schemes. The teachers' scheme is a defined benefit scheme. However, this is a multi-employer scheme and it is not possible to identify this company's share of any surplus or deficit. Accordingly, it is treated in the same way as a defined contribution scheme. Therefore all contributions are charged against profits in the year of payment.

Leasing and Hire Purchase Commitments

Assets obtained under finance leases and hire purchase contracts are capitalised in the Balance Sheet and depreciated in accordance with the policy above.

The interest element is charged to the Profit and Loss Account over the period of the lease by equal monthly instalments.

COXLEASE SCHOOL LIMITED

NOTES TO THE ACCOUNTS - CONTINUED FOR THE YEAR ENDED 31ST AUGUST 2002

2 Turnover

The company's turnover represents the amounts receivable for educational services provided.

3 Operating Profit

Operating Profit is stated after charging

	2002 £	2001 £
Aggregate amounts of Directors' Emoluments:		
Directors' Remuneration	428,258	380,519
Benefits in Kind	34,620	26,173
Company Contributions to Money Purchase Pension Schemes	23,296	29,810
	<hr/>	<hr/>
Total Directors' Emoluments	486,174	436,502
	<hr/>	<hr/>

Retirement benefits are accruing under money purchase pension schemes to 4 directors (2001: 3).

The following amounts relate to the highest paid director (D.G. Hendley):

	2002 £	2001 £
Remuneration	145,456	143,066
Benefits in kind	13,405	13,000
Pension contributions	7,701	13,888
	<hr/>	<hr/>
	166,562	169,954
	<hr/>	<hr/>

	2002 £	2001 £
Loss on disposals of fixed assets	14,275	1,592
Depreciation and Amortisation of owned assets	87,001	66,535
Depreciation of Assets held under finance leases and hire purchase contracts	24,875	19,986
Auditors' Remuneration for audit services	5,000	5,000
	<hr/>	<hr/>

COXLEASE SCHOOL LIMITED

NOTES TO THE ACCOUNTS - CONTINUED FOR THE YEAR ENDED 31ST AUGUST 2002

4	Employees	2002	2001
		£	£
a)	<i>Staff Costs:</i>		
	Wages and Salaries	3,220,321	2,828,657
	Social Security Costs	290,626	259,383
	Other Pension Costs	122,318	113,925
	Private Health	20,983	16,371
		<hr/>	<hr/>
		3,654,248	3,218,336
		<hr/>	<hr/>
b)	<i>Average Number of Persons Employed</i>	2002	2001
		No.	No.
	<i>Category:</i>		
	Directors	5	5
	Administration	6	6
	Teaching/Care and Ancillary Staff	145	134
		<hr/>	<hr/>
		156	145
		<hr/>	<hr/>
5	Other Interest Receivable and Similar Income	2002	2001
		£	£
	Interest on bank deposits	8,660	9,428
		<hr/>	<hr/>
		8,660	9,428
		<hr/>	<hr/>
6	Taxation on Ordinary Activities	2002	2001
		£	£
	<i>Current Year:</i>		
	Corporation Tax at 20% (2000: 20%)	26,000	29,500
	Deferred Tax released	(2,700)	-
	<i>Prior Year:</i>		
	Corporation Tax under/(over) provided	279	(369)
		<hr/>	<hr/>
		23,579	29,131
		<hr/>	<hr/>

COXLEASE SCHOOL LIMITED

NOTES TO THE ACCOUNTS - CONTINUED FOR THE YEAR ENDED 31ST AUGUST 2002

7 Dividends

	2002 £	2001 £
<i>On Ordinary Shares</i>		
Proposed Dividends	3,907	60,000
	<hr/>	<hr/>
	3,907	60,000
	<hr/>	<hr/>

8 Tangible Fixed Assets

	Freehold Property £	Fixtures Fittings and Equipment £	Property Improvements and Portable Classrooms £	Motor Vehicles £	Total £
Cost or Valuation					
At 1st September 2001	420,000	260,099	311,748	181,200	1,173,047
Additions		34,660	5,578	155,398	195,636
Disposal		(12,112)		(161,450)	(173,562)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st August 2002	420,000	282,647	317,326	175,148	1,195,121
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1st September 2001	16,800	157,088	147,773	98,383	420,044
Charge for the Year	8,400	29,136	30,150	44,260	111,946
Disposals		(9,431)		(77,229)	(86,660)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st August 2002	25,200	176,793	177,923	65,414	445,330
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value					
At 31st August 2001	403,200	103,011	163,975	82,817	753,003
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st August 2002	394,800	105,854	139,403	109,734	749,791
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Freehold properties were revalued by the directors based on open market value with current usage as at 31st August 1999. On the basis of historic cost, freehold properties would have a cost of £385,000, accumulated depreciation of £28,333 and a net book value of £356,667 as at 31st August 2002.

COXLEASE SCHOOL LIMITED

NOTES TO THE ACCOUNTS - CONTINUED FOR THE YEAR ENDED 31ST AUGUST 2002

9	Debtors	2002	2001
		£	£
	<i>Receivable within one year:</i>		
	Trade Debtors	199,599	79,845
	Other Debtors	36,348	35,080
		<hr/>	<hr/>
		235,947	114,925
		<hr/>	<hr/>

10	Creditors - Amounts due within one Year	2002	2001
		£	£
	Trade Creditors	26,513	45,848
	Corporation Tax	26,000	29,500
	Other Taxes and Social Security	160,738	72,863
	Deferred Income	790,906	521,189
	Other Creditors	236,983	243,416
	Proposed Dividends	3,907	60,000
		<hr/>	<hr/>
		1,245,047	972,816
		<hr/>	<hr/>

Secured Liabilities

Other creditors includes £50,698 (2001: £19,500) in respect of hire purchase commitments secured on certain motor vehicles included in fixed assets at a net book value of £94,591 (2001: £67,831).

COXLEASE SCHOOL LIMITED

NOTES TO THE ACCOUNTS - CONTINUED FOR THE YEAR ENDED 31ST AUGUST 2002

11 Deferred Tax

	£
At 1st September 2001	14,800
Release of deferred tax on revaluation of properties	(2,700)
	<hr/>
At 31st August 2002	12,100
	<hr/>

The deferred tax provision represents:

	2002 £	2001 £
The taxation on the difference between the book amount of assets and their corresponding tax values	12,100	14,800
	<hr/>	<hr/>
	12,100	14,800
	<hr/>	<hr/>

12 Share Capital

	2002 £	2001 £
<i>Authorised:</i>		
50,000 Ordinary Shares of £1 each	50,000	50,000
	<hr/>	<hr/>
<i>Allotted, Issued, Called Up and Fully Paid:</i>		
Ordinary Shares of £1 each	50,000	50,000
	<hr/>	<hr/>

All the issued shares carry the same rights to receive dividends and distributions and the same full voting rights.

13 Reserves

(All the reserves are attributable to equity)

	Revaluation Reserve £	Profit & Loss £	Total £
At 1st September 2001	40,233	181,611	221,844
Retained Profit	-	88,156	88,156
Release of excess depreciation on Revalued assets	(2,100)	2,100	-
	<hr/>	<hr/>	<hr/>
At 31st August 2002	38,133	271,867	310,000
	<hr/>	<hr/>	<hr/>

COXLEASE SCHOOL LIMITED

NOTES TO THE ACCOUNTS - CONTINUED FOR THE YEAR ENDED 31ST AUGUST 2002

14 Reconciliation of Movements in Shareholders Funds

	2002 £	2001 £
Profit for the financial year	92,063	92,153
Dividends	(3,907)	(60,000)
	<hr/>	<hr/>
	88,156	32,153
Other recognised gains and losses relating to the year	-	5,700
	<hr/>	<hr/>
Net addition to shareholders' funds	88,156	37,853
Opening shareholders' funds	271,844	233,991
	<hr/>	<hr/>
Closing shareholders' funds	360,000	271,844
	<hr/>	<hr/>

15 Pension Costs

As described in Note 1, payments to pension schemes are charged against profit. The charge for the year was £122,318 (2001: £113,925).

16 Parent Undertaking

The ultimate parent company at the year end was Coxlease Holdings Limited, a company registered in England and Wales.

17 Operating Leases

Rentals due next year may be analysed as follows:

	2002 £	2001 £
Leases expiring after next year but within 5 years: Office Equipment	1,372	1,372
Land and buildings: Lease expiring after more than five years with periodic rent reviews	90,000	72,000
	<hr/>	<hr/>
	91,372	73,372
	<hr/>	<hr/>

COXLEASE SCHOOL LIMITED

NOTES TO THE ACCOUNTS - CONTINUED FOR THE YEAR ENDED 31ST AUGUST 2002

18 Reconciliation of Operating Profit to Net Cash (Outflow)/Inflow from Operating Activities

	2002 £	2001 £
Operating Profit	128,225	118,213
Depreciation Charge	111,946	86,521
Loss on Sale of Fixed Assets	14,275	1,592
(Increase) in Debtors	(121,022)	(74,655)
Increase in Creditors	300,626	139,396
	<hr/>	<hr/>
Net Cash Inflow from Operating Activities	434,050	271,067
	<hr/>	<hr/>

19 Analysis of Changes in Bank Balances During the Year

	2002 £	2001 £
Balances at 1st September 2001	391,532	248,988
Net Cash Inflow	239,877	142,544
	<hr/>	<hr/>
Balances at 31st August 2002	631,409	391,532
	<hr/>	<hr/>

20 Analysis of Changes in Net Funds

	Cash at Bank and in Hand £	Finance Lease £	Directors' Current Accounts £	Total £
At 1st September 2001	391,532	(19,500)	-	372,032
Cashflows	239,877	(31,198)	-	208,679
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st August 2002	631,409	(50,698)	-	580,711
	<hr/>	<hr/>	<hr/>	<hr/>

COXLEASE SCHOOL LIMITED

NOTES TO THE ACCOUNTS - CONTINUED FOR THE YEAR ENDED 31ST AUGUST 2002

21 Related Parties

Control

Up to 30 August 2002, the company was controlled by D.G. Hendley and A.P. Orchard through the parent company, High Coxlease Limited. From that date, it was controlled by S Clifffen through the new ultimate holding company, Coxlease Holdings Limited. Their shareholdings are shown in the Directors' Report on page 2.

Transactions

Transactions with the holding company are as follows:

	2002 £	2001 £
Revenue		
Rent paid	90,000	72,000
Dividend proposed/paid	3,782	59,040
Capital		
Net (decrease)/increase in debt due to holding company	(55,258)	34,440

Regarding transactions involving Directors, see Note 23.

22 Capital Commitment

Before the year end, the company entered into a contract to purchase a property in Shirley Avenue, Southampton for £361,000. The purchase was completed on 4 September 2002.

23 Contingent Liabilities and Secured Assets

On 30 August 2002, this company entered into an agreement with Lloyds TSB Bank plc, providing security on a loan and an overdraft facility totalling £2,175,000 to Coxlease Holdings Limited to finance the purchase of shares in High Coxlease Limited.

The security takes the form of first legal charges over this company's freehold properties, an unlimited debenture and a guarantee and set-off agreement, assignment of Keyman insurance proceeds and deeds of postponement on subordination of Directors' Loans.