

ACTUARIAL EDUCATION COMPANY LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2002**

Registered number 3062375



ACTUARIAL EDUCATION COMPANY LIMITED

**ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2002**

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ACTUARIAL EDUCATION COMPANY LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2002

The directors submit their report together with the audited financial statements of the company for the year ended to 31 December 2002.

Principal activity, review of the business and future developments

The profit and loss account for the year is set out on page 7.

The principal activity of the company is the provision of training for students taking the professional examinations of the Institute of Actuaries and the Faculty of Actuaries.

2002 was a successful year as a result of the continuing high number of students in the profession and the increased demand for some relatively new products and services. The directors are pleased with the results.

The company's constitution restricts it to working with students of the Institute and Faculty of Actuaries. The future depends on the market for teaching student actuaries.

Dividends and transfers to reserves

The company paid net dividends during the period of £950,000.

Political and charitable donations

During the year the company made various charitable donations totalling £569. No political donations were made.

Creditor policy

It is the company's policy that payments to suppliers are made in accordance with the terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

The creditors days figures outstanding as at 31 December 2002 was 7.04.

Directors

The directors of the company at 31 December 2002 and 2001 and their interests in the shares of BPP Actuarial Education Limited (the parent company) at the beginning and end of the year are shown below:

		Number of ordinary 0.01p shares in BPP Actuarial at 31 December 2002 and 2001
John Edwards		63,731
Charles Prior (chairman)		n/a
David J Carr		n/a
Darrell Chainey	Appointed 1 February 2002	n/a

The directors had no holdings in the shares of the company at any time during the year.

John Edwards has 5,908 ordinary shares of 5 pence each fully paid in BPP Holdings plc (2001: 2,954 ordinary shares of 10 pence, there was a bonus issue during the year).

ACTUARIAL EDUCATION COMPANY LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2002

Darrell Chainey has options to purchase 10,000 ordinary shares of 10 pence of BPP Holdings plc granted on 19 March 2002 and exercisable between 3 and 10 years from this date at a price of 260p.

David Carr has options to purchase 40,000 ordinary shares of 10 pence of BPP Holdings plc granted on 21 March 2001 and exercisable between 3 and 10 years from this date at a price of 215.75p.

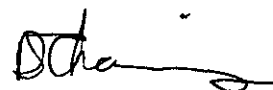
Charles Prior is a director of the ultimate holding company and accordingly his interests are disclosed in that company's accounts. Except as disclosed above, none of the other directors held any interests in the shares of the parent company, BPP Holdings plc, at the beginning or end of the year.

	Loan notes issued by BPP Holdings plc 31 December 2002	Loan notes issued by BPP Holdings plc 31 December 2001
John Edwards	nil	10,396
Charles Prior (chairman)	n/a	n/a
David J Carr	n/a	n/a
Darrell Chainey	n/a	n/a

Auditors

On 1 September 2002, our auditors, Mazars Neville Russell, changed their name to Mazars.

By order of the Board



DARRELL CHAINEY
Director

12 February 2003

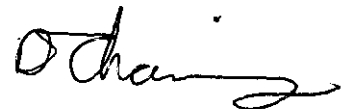
ACTUARIAL EDUCATION COMPANY LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with applicable accounting standards subject to any material departures disclosed and explained in the financial statements; and
- prepare the accounts 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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



DARRELL CHAINEY
Director

12 February 2003

INDEPENDENT REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF ACTUARIAL EDUCATION COMPANY LIMITED

We have audited the financial statements on pages 7 to 18, which have been prepared under the historical cost convention and the accounting policies set out on page 11 and 12.

This report is made solely to the company's members, as a body, in accordance with Section 235 of 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 auditor's 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 in the Statement of Directors' Responsibilities the company's directors are responsible for preparing 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. 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 is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. Our responsibilities do not extend to any other information.

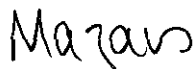
Basis of opinion

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.

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 at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



MAZARS
Chartered Accountants and Registered Auditors
St Thomas House, 6 Becket Street
Oxford, OX1 1PP

12 Feb. 2003

ACTUARIAL EDUCATION COMPANY LIMITED
PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Turnover	2	3,984,669	3,412,374
Cost of sales		<u>(848,333)</u>	<u>(691,654)</u>
Gross profit		3,136,336	2,720,720
Administrative expenses		<u>(1,910,237)</u>	<u>(1,630,059)</u>
Operating profit		1,226,099	1,090,661
Interest receivable		<u>28,265</u>	<u>36,462</u>
Profit on ordinary activities before taxation	3	1,254,364	1,127,123
Tax on ordinary activities	5	<u>(292,569)</u>	<u>(261,018)</u>
Profit on ordinary activities after taxation		961,795	866,105
Dividends	13	<u>(950,000)</u>	<u>(750,000)</u>
Retained profit for the year		<u><u>11,795</u></u>	<u><u>116,105</u></u>

All business activities of the company are continuing in nature.

There are no recognised gains or losses other than the net profit attributable to the shareholders of the company of £11,795 in the year ended 31 December 2002 and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

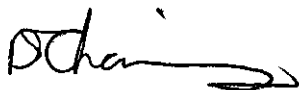
The notes on pages 11 to 18 form an integral part of these financial statements

ACTUARIAL EDUCATION COMPANY LIMITED
BALANCE SHEET

AT 31 DECEMBER 2002

	Notes	2002 £	2001 £
FIXED ASSETS			
Tangible assets	6	33,510	48,316
CURRENT ASSETS			
Stock	7	13,750	8,100
Debtors	8	906,821	663,911
Cash at bank and in hand		988,755	1,482,380
		<u>1,909,326</u>	<u>2,154,391</u>
CREDITORS: amounts falling due within one year	9	<u>(1,705,162)</u>	<u>(1,975,328)</u>
NET CURRENT ASSETS		<u>204,164</u>	<u>179,063</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>237,674</u>	<u>227,379</u>
CREDITORS: amounts falling due greater than one year	10	<u>(7,250)</u>	<u>(8,750)</u>
NET ASSETS		<u><u>230,424</u></u>	<u><u>218,629</u></u>
CAPITAL AND RESERVES			
Called up share capital	11	100	100
Profit and loss reserve	12	<u>230,324</u>	<u>218,529</u>
TOTAL SHAREHOLDERS FUNDS	12	<u><u>230,424</u></u>	<u><u>218,629</u></u>

The financial statements on pages 7 to 18 were approved by the board of directors on 12/2/03 and were signed on their behalf by:



Darrell Chainey
Director

The notes on pages 11 to 18 form part of these accounts

ACTUARIAL EDUCATION COMPANY LIMITED
CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2002

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
<i>Net cash inflow from continuing operating activities</i>	<u>697,751</u>	<u>1,100,817</u>
<i>Returns on investments and servicing of finance</i>		
Interest received	<u>28,265</u>	<u>36,462</u>
<i>Taxation</i>		
UK corporation tax paid	<u>(252,119)</u>	<u>(250,368)</u>
<i>Capital expenditure and financial investment</i>		
Purchase of tangible fixed assets	<u>(17,902)</u>	<u>(28,841)</u>
Proceeds on sale of tangible fixed assets	<u>380</u>	<u>-</u>
<i>Net cash outflow from capital expenditure and financial investment</i>	<u>(17,522)</u>	<u>(28,841)</u>
<i>Equity dividend paid</i>	<u>(950,000)</u>	<u>(350,000)</u>
<i>(Decrease)/Increase in cash</i>	<u><u>(493,625)</u></u>	<u><u>508,070</u></u>

Reconciliation of net cash flow to movement in net cash

	2002 £	2001 £
Net cash (outflow)/inflow	(493,625)	508,070
Opening net cash	<u>1,482,380</u>	<u>974,310</u>
Closing net cash	<u><u>988,755</u></u>	<u><u>1,482,380</u></u>

ACTUARIAL EDUCATION COMPANY LIMITED
CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2002

NOTES

Reconciliation of operating profit to net cash inflow from continuing operating activities

	2002 £	2001 £
Operating profit	1,226,099	1,090,661
Depreciation	32,458	32,840
(Gain)/Loss on sale of fixed assets	(130)	-
(Increase)/Decrease in stock	(5,650)	4,100
(Increase)/Decrease in debtors	(242,910)	(282,800)
(Decrease)/Increase in creditors	(310,616)	247,266
(Decrease)/Increase in long term lease	(1,500)	8,750
	<u>697,751</u>	<u>1,100,817</u>

Analysis of changes in financing during the year

	2002 £	2001 £
Opening net cash	1,482,380	974,310
Net cash (outflow)/inflow	(493,625)	508,070
	<u>988,755</u>	<u>1,482,380</u>

Analysed in balance sheet

	2002 £	2001 £
Cash in hand and at bank	<u>988,755</u>	<u>1,482,380</u>

ACTUARIAL EDUCATION COMPANY LIMITED
NOTES TO THE ACCOUNTS

AT 31 DECEMBER 2002

1. Accounting policies

(a) Accounting policies

The financial statements have been prepared under the historical cost convention. The financial statements have been prepared in accordance with Accounting Standards applicable in the United Kingdom. A summary of the more important accounting policies is given below.

(b) Tangible fixed assets

Depreciation is provided at rates calculated to write off the costs, less estimated residual value, of each asset evenly over its expected useful life.

- (i) Depreciation on leasehold property and capitalised leased equipment is provided on a straight line basis over the duration of the lease.
- (ii) Depreciation on fixtures and fittings is at 25% per annum on cost.
- (iii) Depreciation on office equipment is at 33.3% per annum on cost.
- (iv) Depreciation on motor vehicles is at 25% per annum on cost.

In all cases depreciation is charged from the year of acquisition except for capitalised lease equipment.

(c) Stocks

Stocks which consist of study material are valued at the lower of printed cost and net realisable value.

(d) Deferred taxation

Accounting in respect of deferred taxation has been changed to reflect the requirements of FRS19 – Deferred Tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

The above amounts to a change in accounting policy. The previous policy was to provide deferred tax only to the extent that it was probable that liabilities would crystallise in the foreseeable future.

The adoption of the standard did not require a prior period adjustment as the amount unprovided in prior years of £470 was immaterial.

(e) Operating lease commitments

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

ACTUARIAL EDUCATION COMPANY LIMITED
NOTES TO THE ACCOUNTS

AT 31 DECEMBER 2002

(f) Finance Leases

Assets held under finance leases (where the useful life of the asset corresponds with the lease term) are included in office equipment in fixed assets at cost and depreciated over the estimated useful life. Rentals payable are apportioned between the finance charge and a reduction of the outstanding obligation for future amounts payable so that the charge for each accounting period is a constant percentage of the remaining balance of the capital sum outstanding.

(g) Pension Costs

Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate. At present the pension scheme is non-contributory.

(h) Turnover

Turnover represents the invoiced amount of goods and services provided during the period, stated net of value added tax. Amounts invoiced but unearned at the period end are treated as deferred revenue.

Sales of materials are recognised when the goods are shipped. Sales of marking and tutorial services are recognised as the services are provided.

2. Turnover

Turnover by geographic region is as follows:

	2002	2001
	£	£
United Kingdom	3,601,124	3,078,744
European Union	159,556	140,114
Africa	163,912	169,144
Other	60,077	24,372
TOTAL	<u>3,984,669</u>	<u>3,412,374</u>

3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging the following items:

	Year ended 31 December 2002 £	Year Ended 31 December 2001 £
Depreciation	32,458	32,840
Auditors' remuneration	8,200	7,050
Hire of plant and machinery (operating leases)	856	856
Operating lease rentals (property) recharge	23,550	23,550

ACTUARIAL EDUCATION COMPANY LIMITED
NOTES TO THE ACCOUNTS

AT 31 DECEMBER 2002

4. Directors and employees

Staff costs during the period amounted to:

	Year ended 31 December 2002 £	Year Ended 31 December 2001 £
Wages and salaries	1,275,161	1,012,578
Social security costs	139,917	115,629
	<u>1,415,078</u>	<u>1,128,207</u>
The average number of employees during the period was:	Number	Number
Tutors	19	16
Administration	<u>11</u>	<u>10</u>
	<u>30</u>	<u>26</u>
Directors' remuneration	£	£
Aggregate emoluments	<u>85,677</u>	<u>-</u>

The emoluments of the highest paid director (excluding pension contributions) were £83,999.

5. Taxation on results from ordinary activities

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Corporation tax @ 30%		
Current year	301,100	260,650
Prior years	(8,531)	368
Deferred tax	-	-
	<u>292,659</u>	<u>261,018</u>

ACTUARIAL EDUCATION COMPANY LIMITED
NOTES TO THE ACCOUNTS

AT 31 DECEMBER 2002

Factors affecting the tax charge for the year

Profit on ordinary activities before tax	<u>1,254,364</u>	<u>1,127,123</u>
Profit on ordinary activities before taxation multiplied by the standard rate of UK corporate taxation of 30%	<u>376,309</u>	<u>338,137</u>
Effects of:		
Non deductible expenses	-	-
Depreciation	9,737	9,852
Capital Allowances	(8,232)	(7,654)
Tax losses carried forward/utlised	(76,709)	(63,269)
Over/(under) provisions for prior years	(8,531)	368
Other tax adjustments	(5)	(16,416)
TOTAL	<u>(83,740)</u>	<u>(77,119)</u>
Current tax charge	<u>292,659</u>	<u>261,018</u>

Note: the deferred tax balance of £1,760 was not provided for in the accounts due to its immateriality.

6. Tangible fixed assets

	Leasehold property	Motor vehicles	Fixtures & fittings	Office equipment (incl. Leased)	Total
	£	£	£	£	£
Cost:					
at 31 December 2001	2,387	2,164	2,490	116,473	123,514
Additions	-	-	-	17,902	17,902
Disposals	-	(2,164)	-	(418)	(2,582)
At 31 December 2002	<u>2,387</u>	<u>-</u>	<u>2,490</u>	<u>133,957</u>	<u>138,834</u>
Depreciation:					
at 31 December 2001	945	1,894	2,490	69,869	75,198
Charge for the period	149	270	-	32,039	32,458
Disposals	-	(2,164)	-	(168)	(2,332)
At 31 December 2002	<u>1,094</u>	<u>-</u>	<u>2,490</u>	<u>101,740</u>	<u>105,324</u>
Net book value:					
At 31 December 2002	<u>1,293</u>	<u>-</u>	<u>-</u>	<u>32,217</u>	<u>33,510</u>
Net book value:					
at 31 December 2001	<u>1,442</u>	<u>270</u>	<u>-</u>	<u>46,604</u>	<u>48,316</u>

ACTUARIAL EDUCATION COMPANY LIMITED
NOTES TO THE ACCOUNTS

AT 31 DECEMBER 2002

The net book value of office equipment of £32,217 includes an amount of £9,429 (2001: £11,000) in respect of assets held under finance leases. The original cost of these assets was £11,000 (2001:£11,000). The depreciation charge for the year on these assets is £1,571 (2001: £nil).

7. Stock

	2002	2001
	£	£
Finished goods	13,750	8,100

8. Debtors

	2002	2001
	£	£
Other debtors	528,074	286,978
Amount due from immediate holding company	336,699	336,202
Prepayments	42,048	40,731
	<u>906,821</u>	<u>663,911</u>

9. Creditors: amounts falling due within one year

	2002	2001
	£	£
Trade creditors	25,278	54,883
Owing to BPP Courses	-	45,843
Corporation tax	301,100	260,650
Dividend payable	-	400,000
Accruals	255,956	144,492
Current lease commitment	1,500	1,500
Other taxes and social security	146,828	117,360
Deferred income	974,500	950,600
	<u>1,705,162</u>	<u>1,975,328</u>

ACTUARIAL EDUCATION COMPANY LIMITED
NOTES TO THE ACCOUNTS

AT 31 DECEMBER 2002

10. Long term lease commitment

	2002	2001
	£	£
Long term lease commitment	<u>7,250</u>	<u>8,750</u>

The Company has leased equipment during the year for which the estimated useful life is equal to the lease term (see accounting policy note (f)). The long term lease commitment represents the annual payments due until the end of the lease term. The current payments due are shown under current liabilities (see note 9).

Obligations under finance leases.	2002	2001
Amounts payable:	£	£
Within two to five years	6,000	6,000
After 5 years	1,250	2,750
	<u>7,250</u>	<u>8,750</u>

11 Share capital

	Authorised number of special shares	Allotted, issued and fully paid special shares	Authorised number of ordinary shares	Allotted, issued and fully paid ordinary shares
	Number	£	Number	£
At 31 December 2001	<u>1</u>	<u>1</u>	<u>99</u>	<u>99</u>
At 31 December 2002	<u>1</u>	<u>1</u>	<u>99</u>	<u>99</u>

All ordinary shares carry one vote and are entitled to an equal share of any proceeds upon wind up of the company.

The special share carries no entitlement to vote or any rights upon wind up of the company. It's only right is a vote in any change of the company's memorandum or articles of association.

ACTUARIAL EDUCATION COMPANY LIMITED
NOTES TO THE ACCOUNTS

AT 31 DECEMBER 2002

12. Reconciliation of shareholders' funds and movements on reserves

	Share capital £	Profit & loss account £	Total £
At 31 December 2001	100	218,529	218,629
Profit for the year	-	961,795	961,795
Dividends paid	-	(950,000)	(950,000)
	<hr/>	<hr/>	<hr/>
At 31 December 2002	100	230,324	230,424
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

13. Dividends on equity shares

	2002 £	2001 £
Ordinary – interim dividends paid of £9,595.96 (2001:£3,535.35) per share	950,000	350,000
Ordinary – interim dividends proposed of £nil (2001:£4,040.40) per share	-	400,000
	<hr/>	<hr/>
	950,000	750,000
	<hr/> <hr/>	<hr/> <hr/>

14. Related party transactions

£3,984,172 (2001: £3,327,722) of the turnover of the company comes from Institute and Faculty Education Ltd (IFE Ltd). Some of this income is from students originating outside of the United Kingdom and has been included as non UK turnover (see note 2 for details). IFE Ltd is the provider of training and educational services for students taking the professional examinations of the Institute of Actuaries and Faculty of Actuaries. IFE Ltd contracts out these services to the company. At 31 December 2002 the balance outstanding owed to the company by IFE Ltd was £517,238 (2001: £271,608).

£360 (2001: £2,302) of the turnover of the company comes from its parent company BPP Actuarial Education Limited for its' share of overheads.

During the year the company loaned £500,000 to BPP Holdings plc and earned interest of £7,607. This amount was repaid during the year.

The company incurred charges of £111,309 (2001: £60,318) from fellow subsidiaries of BPP Holdings plc, BPP Courses and BPP Law Courses Ltd. with respect to the rental of rooms for tutorials. At 31 December 2002 the balance owed to BPP Courses and BPP Law Courses Ltd. by the company was £nil (2001: £45,843).

The company was owed £336,699 by its parent company BPP Actuarial Education at 31 December 2002 (2001: £336,202).

ACTUARIAL EDUCATION COMPANY LIMITED
NOTES TO THE ACCOUNTS

AT 31 DECEMBER 2002

15. Ultimate parent company and controlling party

The directors regard BPP Actuarial Education Limited, a company registered in England and Wales, as the immediate parent company.

The directors regard BPP Holdings plc, a company registered in England and Wales and listed on the London Stock Exchange as the ultimate parent company. According to the register kept by the company, BPP Holdings plc has a 56.45% interest in the equity capital of BPP Actuarial Education Limited. Copies of BPP Holdings plc's accounts can be obtained from BPP House, Aldine Place, London, W12 8AA.

BPP Holdings plc has entered into put and call options with the shareholders of the balance of BPP Actuarial Education Limited issued share capital. The put options are exercisable in April of the year from 2000. Any minority shareholder can require the company to purchase, for cash, his interest in BPP Actuarial Education Limited in three equal annual tranches. Under the call option the company can require the minority shareholder to sell their interests in BPP Actuarial Education Limited in January 2015. The amount payable is based on the earnings of BPP Actuarial Education Limited for two years preceding the exercise of each tranche.

16. Defined Contribution Scheme

The parent company operates a group defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension scheme is non-contributory and so no contributions were paid by the group during the year (2001: none) and no amounts were outstanding at year end (2001: none).