

**ACTUARIAL EDUCATION COMPANY LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 DECEMBER 2003**

**Registered number 3062375**



**ACTUARIAL EDUCATION COMPANY LIMITED**

**ANNUAL REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2003**

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**ACTUARIAL EDUCATION COMPANY LIMITED  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2003**

The directors submit their report together with the audited financial statements of the company for the year ended to 31 December 2003.

**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.

2003 was a successful year despite a decrease in the number of students entering the actuarial profession. The company increased its team of instructors in preparation for significant changes to the structure of the professional exams with effect from September 2004.

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 £750,000.

**Political and charitable donations**

The company made no charitable or political donations during the year.

**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 2003 was 22.51 (2002: 7.04)

**Directors**

The directors of the company at 31 December 2003 and 2002 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:

	<b>Number of ordinary 0.01p shares in BPP Actuarial at 31 December 2003 and 2002</b>
John Edwards	63,731
Charles Prior (chairman)	n/a
David J Carr	n/a
Darrell Chainey	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 (2002: 5,908 ordinary shares of 5 pence).

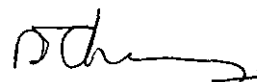
**ACTUARIAL EDUCATION COMPANY LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

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.

By order of the Board



DARRELL CHAINEY  
Director

13 February 2004

**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

13 February 2004

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ACTUARIAL EDUCATION COMPANY LIMITED**

We have audited the financial statements for the year ended 31 December 2003 which comprise the Profit and Loss Account, the Balance Sheet and Cash Flow Statement and related notes. 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 in the Statement of Directors' Responsibilities 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 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 misstatement within it.

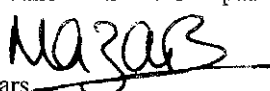
### **Basis of audit opinion**

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 31 December 2003 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

13 February 2004

**ACTUARIAL EDUCATION COMPANY LIMITED**  
**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 2003**

	Notes	Year ended 31 December 2003 £	Year ended 31 December 2002 £
Turnover	2	4,008,746	3,984,669
Cost of sales		<u>(904,808)</u>	<u>(848,333)</u>
Gross profit		3,103,938	3,136,336
Administrative expenses		<u>(2,200,060)</u>	<u>(1,910,237)</u>
Operating profit		903,878	1,226,099
Interest receivable		<u>30,449</u>	<u>28,265</u>
Profit on ordinary activities before taxation	3	934,327	1,254,364
Tax on ordinary activities	5	<u>(251,806)</u>	<u>(292,569)</u>
Profit on ordinary activities after taxation		682,521	961,795
Dividends	13	<u>(750,000)</u>	<u>(950,000)</u>
Retained (loss)/profit for the year		<u><u>(67,479)</u></u>	<u><u>11,795</u></u>

All business activities of the company are continuing in nature.

There are no recognised gains or losses other than the net loss attributable to the shareholders of the company of £(67,479) in the year ended 31 December 2003 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

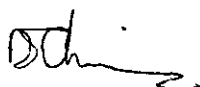
# ACTUARIAL EDUCATION COMPANY LIMITED

## BALANCE SHEET

AT 31 DECEMBER 2003

	Notes	2003 £	2002 £
<b>FIXED ASSETS</b>			
Tangible assets	6	19,166	33,510
<b>CURRENT ASSETS</b>			
Stock	7	40,220	13,750
Debtors	8	1,689,234	906,821
Cash at bank and in hand		259,023	988,755
		<u>1,988,477</u>	<u>1,909,326</u>
<b>CREDITORS: amounts falling due within one year</b>	9	<u>(1,838,948)</u>	<u>(1,705,162)</u>
<b>NET CURRENT ASSETS</b>		<u>149,529</u>	<u>204,164</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>168,695</u>	<u>237,674</u>
<b>CREDITORS: amounts falling due greater than one year</b>	10	<u>(5,750)</u>	<u>(7,250)</u>
<b>NET ASSETS</b>		<u>162,945</u>	<u>230,424</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	100	100
Profit and loss reserve	12	162,845	230,324
<b>TOTAL SHAREHOLDERS FUNDS</b>	12	<u>162,945</u>	<u>230,424</u>

The financial statements on pages 7 to 18 were approved by the board of directors on 13/2/04 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 2003**

	Year ended 31 December 2003 £	Year ended 31 December 2002 £
<i>Net cash inflow from continuing operating activities</i>	300,348	697,751
<i>Returns on investments and servicing of finance</i>		
Interest received	30,449	28,265
<i>Taxation</i>		
UK corporation tax paid	(303,258)	(252,119)
<i>Capital expenditure and financial investment</i>		
Purchase of tangible fixed assets	(7,322)	(17,902)
Proceeds on sale of tangible fixed assets	51	380
<i>Net cash outflow from capital expenditure and financial investment</i>	(7,271)	(17,522)
<i>Equity dividend paid</i>	(750,000)	(950,000)
<i>(Decrease) in cash</i>	(729,732)	(493,625)
 <i>Reconciliation of net cash flow to movement in net cash</i>		
	2003 £	2002 £
Net cash (outflow)	(729,732)	(493,625)
Opening net cash	988,755	1,482,380
Closing net cash	259,023	988,755

**ACTUARIAL EDUCATION COMPANY LIMITED**  
**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2003**

**NOTES**

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

	2003 £	2002 £
Operating profit	903,878	1,226,099
Depreciation	21,271	32,458
(Gain) on sale of fixed assets	(51)	(130)
(Increase) in stock	(26,470)	(5,650)
(Increase) in debtors	(782,413)	(242,910)
(Decrease)/Increase in creditors	185,633	(310,616)
(Decrease) in long term lease	(1,500)	(1,500)
	<u>300,348</u>	<u>697,751</u>

*Analysis of changes in financing during the year*

	2003 £	2002 £
Opening net cash	988,755	1,482,380
Net cash (outflow)	<u>(729,732)</u>	<u>(493,625)</u>
Closing net cash	<u>259,023</u>	<u>988,755</u>

*Analysed in balance sheet*

	2003 £	2002 £
Cash in hand and at bank	<u>259,023</u>	<u>988,755</u>

**ACTUARIAL EDUCATION COMPANY LIMITED**  
**NOTES TO THE ACCOUNTS**

**AT 31 DECEMBER 2003**

**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*

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.

*(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 2003**

*(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:

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
United Kingdom	3,701,728	3,601,124
European Union	133,096	159,556
Africa	157,081	163,912
Other	16,841	60,077
<b>TOTAL</b>	<b><u>4,008,746</u></b>	<b><u>3,984,669</u></b>

**3. Profit on ordinary activities before taxation**

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

	<b>Year ended 31 December 2003 £</b>	<b>Year Ended 31 December 2002 £</b>
Depreciation	21,271	32,458
Auditors' remuneration - audit	8,100	8,200
Auditors' remuneration - non-audit services	12,500	-
Hire of plant and machinery (operating leases)	1,220	856
Operating lease rentals (property) recharge	23,550	23,550

**ACTUARIAL EDUCATION COMPANY LIMITED**  
**NOTES TO THE ACCOUNTS**

**AT 31 DECEMBER 2003**

**4. Directors and employees**

Staff costs during the period amounted to:

	Year ended 31 December 2003 £	Year Ended 31 December 2002 £
Wages and salaries	1,479,642	1,275,161
Social security costs	169,962	139,917
	<u>1,649,604</u>	<u>1,415,078</u>
The average number of employees during the period was:	Number	Number
Tutors	21	19
Administration	<u>11</u>	<u>11</u>
	<u>32</u>	<u>30</u>
Directors' remuneration	£	£
Aggregate emoluments	<u>96,528</u>	<u>85,677</u>

The emoluments of the highest paid director (excluding pension contributions) were £93,823 (2002: £83,999)

**ACTUARIAL EDUCATION COMPANY LIMITED**  
**NOTES TO THE ACCOUNTS**

**AT 31 DECEMBER 2003**

**5. Taxation on results from ordinary activities**

	Year ended 31 December 2003 £	Year Ended 31 December 2002 £
Corporation tax @ 30%		
Current year	249,650	301,100
Prior years	2,156	(8,531)
Deferred tax	-	-
	<u>251,806</u>	<u>292,569</u>
 <b>Factors affecting the tax charge for the year</b>		
Profit on ordinary activities before tax	<u>934,327</u>	<u>1,254,364</u>
Profit on ordinary activities before taxation multiplied by the standard rate of UK corporate taxation of 30%	<u>280,298</u>	<u>376,309</u>
 <b>Effects of:</b>		
Non deductible expenses	-	-
Depreciation	6,381	9,737
Capital Allowances	(6,832)	(8,232)
Tax losses carried forward/utlised	(38,216)	(76,709)
Over/(under) provisions for prior years	2,156	(8,531)
Other tax adjustments	8,019	(5)
<b>TOTAL</b>	<u>(28,492)</u>	<u>(83,740)</u>
 Current tax charge	 <u>251,806</u>	 <u>292,569</u>

Note: the deferred tax balance of £2,114 (2002: £1,760) was not provided for in the accounts due to its immateriality.

**ACTUARIAL EDUCATION COMPANY LIMITED**  
**NOTES TO THE ACCOUNTS**

**AT 31 DECEMBER 2003**

**6. Tangible fixed assets**

	Leasehold property	Fixtures & fittings	Office equipment (incl. Leased)	Total
	£	£	£	£
Cost:				
at 31 December 2002	2,387	2,490	133,957	138,834
Additions	-	-	7,322	7,322
Disposals	-	-	(24,435)	(24,435)
	<u>2,387</u>	<u>2,490</u>	<u>116,844</u>	<u>121,721</u>
At 31 December 2003	<u>2,387</u>	<u>2,490</u>	<u>116,844</u>	<u>121,721</u>
Depreciation:				
at 31 December 2002	1,094	2,490	101,740	105,324
Charge for the period	149	-	21,122	21,271
Disposals	-	-	(24,040)	(24,040)
	<u>1,243</u>	<u>2,490</u>	<u>98,822</u>	<u>102,555</u>
At 31 December 2003	<u>1,243</u>	<u>2,490</u>	<u>98,822</u>	<u>102,555</u>
Net book value:				
At 31 December 2003	<u>1,144</u>	<u>-</u>	<u>18,022</u>	<u>19,166</u>
Net book value:				
at 31 December 2002	<u>1,293</u>	<u>-</u>	<u>32,217</u>	<u>33,510</u>

The net book value of office equipment of £18,022 includes an amount of £7,857 (2002: £9,429) in respect of assets held under finance leases. The original cost of these assets was £11,000 (2002: £11,000). The depreciation charge for the year on these assets is £1,571 (2002: £1,571).

**7. Stock**

	2003 £	2002 £
Finished goods	<u>40,220</u>	<u>13,750</u>

**8. Debtors**

	2003 £	2002 £
Other debtors	368,537	528,074
Amounts owing from group undertakings	1,283,268	336,699
Prepayments	37,429	42,048
	<u>1,689,234</u>	<u>906,821</u>

**ACTUARIAL EDUCATION COMPANY LIMITED**  
**NOTES TO THE ACCOUNTS**

**AT 31 DECEMBER 2003**

**9. Creditors: amounts falling due within one year**

	2003 £	2002 £
Obligations under finance leases & hire purchase contracts	1,500	1,500
Trade creditors	35,489	25,278
Amounts owing to group undertakings	52,950	-
Corporation tax	249,253	301,100
Accruals	216,135	255,956
Other taxes and social security	177,901	146,828
Deferred income	1,105,720	974,500
	<u>1,838,948</u>	<u>1,705,162</u>

**10. Long term lease commitment**

	2003 £	2002 £
Long term lease commitment	<u>5,750</u>	<u>7,250</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).

	2003 £	2002 £
Obligations under finance leases.		
Amounts payable:		
In the next year	1,500	1,500
Within two to five years	4,250	4,500
After 5 years	-	1,250
	<u>5,750</u>	<u>7,250</u>



**ACTUARIAL EDUCATION COMPANY LIMITED**  
**NOTES TO THE ACCOUNTS**

**AT 31 DECEMBER 2003**

**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 2002	<u>1</u>	<u>1</u>	<u>99</u>	<u>99</u>
At 31 December 2003	<u><u>1</u></u>	<u><u>1</u></u>	<u><u>99</u></u>	<u><u>99</u></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 windup of the company. It's only right is a vote in any change of the company's memorandum or articles of association.

**12. Reconciliation of shareholders' funds and movements on reserves**

	Share capital	Profit & loss account	Total
	£	£	£
At 31 December 2002	100	230,324	230,424
Profit for the year	-	682,521	682,521
Dividends paid	-	(750,000)	(750,000)
	<u>100</u>	<u>(750,000)</u>	<u>(750,000)</u>
At 31 December 2003	<u><u>100</u></u>	<u><u>162,845</u></u>	<u><u>162,945</u></u>

**13. Dividends on equity shares**

	2003 £	2002 £
Ordinary – interim dividends paid of £7,575.76 (2002:£9,595.96) per share	<u>750,000</u>	<u>950,000</u>

**14. Related party transactions**

£4,006,733 (2002: £3,984,172) 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

**ACTUARIAL EDUCATION COMPANY LIMITED**  
**NOTES TO THE ACCOUNTS**

**AT 31 DECEMBER 2003**

December 2003 the balance outstanding owed to the company by IFE Ltd was £355,737 (2002: £517,238).

£271 (2002: £360) 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 money to BPP Holdings plc and earned interest of £30,057 (2002: £7,607). The balance owed to the company by BPP Holdings plc at 31 December 2003 was £921,859 (2002: £nil)

The company incurred charges of £114,900 (2002: £111,309) 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 2003 the balance owed to BPP Courses and BPP Law Courses Ltd. by the company was £52,950 (2002: £nil).

The company was owed £361,409 by its parent company BPP Actuarial Education at 31 December 2003 (2002: £336,699).

**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 56.61% 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 (2002: none) and no amounts were outstanding at year end (2002: none).