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Report of the Directors and
Financial Statements for the Year Ended 30 April 2007
for
RSO Limited

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for the Year Ended 30 April 2007

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RSO Limited

Company Information
for the Year Ended 30 April 2007

DIRECTORS:

L A Hunt
M E Carter

SECRETARY:

M E Carter

REGISTERED OFFICE:

Central Offices
Hadleigh Enterprise Park
Crockatt Road
Hadleigh
Suffolk
IP7 6RD

REGISTERED NUMBER

4516845 (England and Wales)

AUDITORS.

Passmore Weeks and Richardson
Chartered Accountants and Registered Auditors
2 Beacon End Courtyard
London Road
Stanway
Colchester
Essex
CO7 8BH

RSO Limited

Report of the Directors for the Year Ended 30 April 2007

The directors present their report with the financial statements of the company for the year ended 30 April 2007

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of group holding company

The group operates a residential school, training company and a Christmas tree farm

REVIEW OF BUSINESS

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

On the 5th October 2007, Kesgrave Hall was sold with the proceeds used to repay bank debt

DIVIDENDS

No dividends will be distributed for the year ended 30 April 2007

FUTURE DEVELOPMENTS

These are outlined above within the review of the business

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements

DIRECTORS

The directors who have held office during the period from 1 May 2006 to the date of this report are as follows

J R Pester - resigned 12 September 2006

J Giles - resigned 12 September 2006

M E Carter - resigned 12 September 2006

Ms J B Clarke - resigned 12 September 2006

Ms C A Triggs - resigned 12 September 2006

M E Carter, ~~Ms L L Giles and C Tanner~~ were appointed as directors after 30 April 2007 but prior to the date of this report

T T Friedag ~~and L A Hunt~~ ceased to be directors after 30 April 2007 but prior to the date of this report

EUROPEAN MONETARY UNION

The directors continue to review the situation regarding the potential introduction of the Euro

GROUP ACCOUNTS

Under the Companies Act 1985 the group is defined as medium and as such is not required to prepare group accounts. An analysis of the investment in subsidiary companies is included in the notes to the accounts

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these financial statements, the directors 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 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 financial statements comply with the Companies Act 1985. They 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

RSO Limited

Report of the Directors
for the Year Ended 30 April 2007

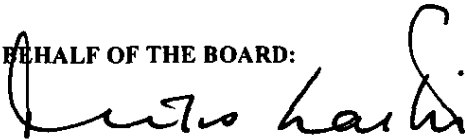
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

AUDITORS

The auditors, Passmore Weeks and Richardson, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985

ON BEHALF OF THE BOARD:



M E Carter - Secretary

Date 28.1.08

**Report of the Independent Auditors to the Shareholders of
RSO Limited**

We have audited the financial statements of RSO Limited for the year ended 30 April 2007 on pages five to fourteen. These financial statements have been prepared under 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out on page two.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Report of the Directors 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 International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 April 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Report of the Directors is consistent with the financial statements.

Passmore Weeks and Richardson
Chartered Accountants and Registered Auditors
2 Beacon End Courtyard
London Road
Stanway
Colchester
Essex
CO7 8BH

Passmore Weeks + Richardson

Date *28 February 2008*

RSO Limited**Profit and Loss Account
for the Year Ended 30 April 2007**

	Notes	30 4 07 £	£	30 4 06 £	£
TURNOVER			-		-
Administrative expenses			60,782		63,217
			(60,782)		(63,217)
Other operating income			13		-
OPERATING LOSS	3		(60,769)		(63,217)
Income from shares in group undertakings	5	580,000		546,000	
Interest receivable and similar income		13,826		13,099	
			593,826		559,099
			533,057		495,882
Interest payable and similar charges	6		528,113		657,162
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION			4,944		(161,280)
Tax on profit/(loss) on ordinary activities	7		126,337		-
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION			(121,393)		(161,280)

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the losses for the current year or previous year

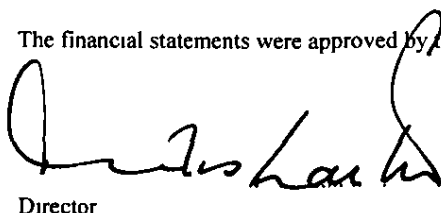
RSO Limited**Balance Sheet****30 April 2007**

	Notes	30 4 07 £	£	30 4 06 £	£
FIXED ASSETS					
Tangible assets	8		4,351,194		4,395,658
Investments	9		4,555,319		4,555,319
			<u>8,906,513</u>		<u>8,950,977</u>
CURRENT ASSETS					
Debtors	10	-		190,270	
Cash at bank		200,000		200,000	
		<u>200,000</u>		<u>390,270</u>	
CREDITORS					
Amounts falling due within one year	11	2,238,658		1,909,812	
NET CURRENT LIABILITIES			<u>(2,038,658)</u>		<u>(1,519,542)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			6,867,855		7,431,435
CREDITORS					
Amounts falling due after more than one year	12		6,887,813		7,330,000
NET (LIABILITIES)/ASSETS			<u>(19,958)</u>		<u>101,435</u>
CAPITAL AND RESERVES					
Called up share capital	15		250,000		250,000
Profit and loss account	16		(269,958)		(148,565)
SHAREHOLDERS' FUNDS	19		<u>(19,958)</u>		<u>101,435</u>

The financial statements were approved by the Board of Directors on

28.2.08

and were signed on its behalf by



Director

The notes form part of these financial statements

RSO Limited**Cash Flow Statement****for the Year Ended 30 April 2007**

	Notes	30 4 07 £	£	30 4 06 £	£
Net cash (outflow)/inflow from operating activities	1		(85,234)		40,096
Returns on investments and servicing of finance	2		65,713		(98,063)
Taxation			(126,337)		(364)
Capital expenditure	2		(379)		(10,770)
			(146,237)		(69,101)
Financing	2		(338,532)		(223,379)
Decrease in cash in the period			(484,769)		(292,480)

Reconciliation of net cash flow to movement in net debt

	3		
Decrease in cash in the period		(484,769)	(292,480)
Cash outflow from decrease in debt		442,187	57,548
Change in net debt resulting from cash flows		(42,582)	(234,932)
Movement in net debt in the period		(42,582)	(234,932)
Net debt at 1 May		(7,421,391)	(7,186,459)
Net debt at 30 April		(7,463,973)	(7,421,391)

The notes form part of these financial statements

Notes to the Cash Flow Statement
for the Year Ended 30 April 2007

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

	30 4 07	30 4 06
	£	£
Operating loss	(60,769)	(63,217)
Depreciation charges	44,843	44,731
(Decrease)/Increase in creditors	(69,308)	58,582
Net cash (outflow)/inflow from operating activities	(85,234)	40,096

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

	30 4 07	30 4 06
	£	£
Returns on investments and servicing of finance		
Interest received	13,826	13,099
Interest paid	(528,113)	(657,162)
Dividends received	580,000	546,000
Net cash inflow/(outflow) for returns on investments and servicing of finance	65,713	(98,063)
Capital expenditure		
Purchase of tangible fixed assets	(379)	(10,770)
Net cash outflow for capital expenditure	(379)	(10,770)
Financing		
Loan repayments in year	(442,187)	150,000
Movement on group balances	103,655	(534,000)
Exceptional item	-	160,621
Net cash outflow from financing	(338,532)	(223,379)

3 ANALYSIS OF CHANGES IN NET DEBT

	At 1 5 06	Cash flow	At 30 4 07
	£	£	£
Net cash			
Cash at bank	200,000	-	200,000
Bank overdraft	(291,391)	(484,769)	(776,160)
	<u>(91,391)</u>	<u>(484,769)</u>	<u>(576,160)</u>
Debt			
Debts falling due after one year	(7,330,000)	442,187	(6,887,813)
	<u>(7,330,000)</u>	<u>442,187</u>	<u>(6,887,813)</u>
Total	(7,421,391)	(42,582)	(7,463,973)

**Notes to the Financial Statements
for the Year Ended 30 April 2007**

1 ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards

Tangible fixed assets

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

Freehold property - 1% on cost

Fixed assets are depreciated from the month that they are brought into use

Deferred tax

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

Pensions

The directors of the company are members of The Ryes School Limited pension scheme

This scheme is a defined contribution pension scheme Contributions payable for the year are charged in the profit and loss account of the Ryes School Limited

2 STAFF COSTS

	30 4 07	30 4 06
	£	£
Social security costs	363	529

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

	30 4 07	30 4 06
Directors	2	4

3 OPERATING LOSS

The operating loss is stated after charging

	30 4 07	30 4 06
	£	£
Depreciation - owned assets	44,843	44,731
Auditors' remuneration	2,400	4,474
Directors' emoluments	2,421	4,129

The number of directors to whom retirement benefits were accruing was as follows

	2	4
Money purchase schemes		

Directors emoluments represents benefits in kind

4 EXCEPTIONAL ITEMS

The exceptional item in 2006 relates to the re-organisation of the companies' loans

5 INCOME FROM INVESTMENTS

	30 4 07	30 4 06
	£	£
Inter-group dividends	580,000	546,000

RSO Limited**Notes to the Financial Statements - continued
for the Year Ended 30 April 2007****6 INTEREST PAYABLE AND SIMILAR CHARGES**

	30 4 07	30 4 06
	£	£
Bank interest	-	8,969
Bank loan interest	528,113	479,803
Loan interest	-	7,775
Exceptional items	-	160,615
	<u>528,113</u>	<u>657,162</u>

7 TAXATION**Analysis of the tax charge**

The tax charge on the profit on ordinary activities for the year was as follows

	30 4 07	30 4 06
	£	£
Current tax		
Purchase of losses	126,337	-
	<u>126,337</u>	<u>-</u>
Tax on profit/(loss) on ordinary activities	<u>126,337</u>	<u>-</u>

8 TANGIBLE FIXED ASSETS

	Freehold property £
COST	
At 1 May 2006	4,483,873
Additions	379
At 30 April 2007	<u>4,484,252</u>
DEPRECIATION	
At 1 May 2006	88,215
Charge for year	44,843
At 30 April 2007	<u>133,058</u>
NET BOOK VALUE	
At 30 April 2007	<u>4,351,194</u>
At 30 April 2006	<u>4,395,658</u>

9 FIXED ASSET INVESTMENTS

	Shares in group undertakings £
COST	
At 1 May 2006 and 30 April 2007	4,555,319
NET BOOK VALUE	
At 30 April 2007	<u>4,555,319</u>
At 30 April 2006	<u>4,555,319</u>

RSO Limited**Notes to the Financial Statements - continued**
for the Year Ended 30 April 2007**9 FIXED ASSET INVESTMENTS - continued**

The company's investments at the balance sheet date in the share capital of companies include the following

The Ryes School Limited

Nature of business School

	% holding		
Class of shares	100 00		
£1 Ordinary		30 4 07	30 4 06
		£	£
Aggregate capital and reserves		2,451,587	2,514,690
Profit for the year		516,897	251,983
		<u> </u>	<u> </u>

RSO Training Limited

Nature of business Training company

	% holding		
Class of shares	100 00		
£1 Ordinary		30 4 07	30 4 06
		£	£
Aggregate capital and reserves		2,494	(10,205)
Profit/(Loss) for the year		12,699	(4,313)
		<u> </u>	<u> </u>

Pump Farm Limited

Nature of business Not yet commenced trading

	% holding		
Class of shares	100 00		
£1 Ordinary		30 4 07	30 4 06
		£	£
Aggregate capital and reserves		68	1
Profit for the year		8,304	-
		<u> </u>	<u> </u>

Kesgrave Enterprises Limited

Nature of business Christmas Tree Farm

	% holding		
Class of shares	100 00		
Ordinary		30 4 07	30 4 06
		£	£
Aggregate capital and reserves		68	(8,236)
Profit/(Loss) for the year		8,304	(8,494)
		<u> </u>	<u> </u>

RSO Properties Limited

Nature of business Dormant

	% holding		
Class of shares	100 00		
Ordinary		30 4 07	30 4 06
		£	£
Aggregate capital and reserves		100	100
		<u> </u>	<u> </u>

RSO Limited**Notes to the Financial Statements - continued
for the Year Ended 30 April 2007****9 FIXED ASSET INVESTMENTS - continued****Kesgrave Hall School Ltd.**
Nature of business DormantClass of shares
Ordinary%
holding
100 00

30 4 07	30 4 06
£	£
100	100

Aggregate capital and reserves

10 DEBTORS AMOUNTS FALLING DUE WITHIN ONE YEAR

30 4 07	30 4 06
£	£
-	190,270

Amounts owed by group undertakings

11 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

30 4 07	30 4 06
£	£
776,160	291,391
1,409,856	1,496,471
52,642	121,950
2,238,658	1,909,812

Bank loans and overdrafts (see note 13)

Amounts owed to group undertakings

Accruals and deferred income

12 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

30 4 07	30 4 06
£	£
6,887,813	7,330,000

Bank loans (see note 13)

13 LOANS

An analysis of the maturity of loans is given below

30 4 07	30 4 06
£	£
776,160	291,391

Amounts falling due within one year or on demand

Bank overdrafts

776,160	291,391
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Amounts falling due between one and two years

Bank loans - 1-2 years

444,375	442,187
---------	---------

Amounts falling due between two and five years

Bank Mortgages

1,777,500	1,777,500
-----------	-----------

Amounts falling due in more than five years

Repayable by instalments

Bank loans due in more than 5

years repayable by instalments

4,665,938	5,110,313
4,665,938	5,110,313

**Notes to the Financial Statements - continued
for the Year Ended 30 April 2007**

14 SECURED DEBTS

The following secured debts are included within creditors

	30 4 07	30 4 06
	£	£
Bank loans	<u>6,887,813</u>	<u>7,330,000</u>

The company's loans are secured by a full debenture on its assets and those of all group companies

15 CALLED UP SHARE CAPITAL

Authorised Number	Class	Nominal value	30 4 07	30 4 06
			£	£
500,000	Ordinary "A"	£1	500,000	500,000
200,000	Ordinary "B"	£1	200,000	200,000
			<u>700,000</u>	<u>700,000</u>

Allotted, issued and fully paid Number	Class	Nominal value	30 4 07	30 4 06
			£	£
250,000	Ordinary "A"	£1	<u>250,000</u>	<u>250,000</u>

16 RESERVES

	Profit and loss account £
At 1 May 2006	(148,565)
Deficit for the year	<u>(121,393)</u>
At 30 April 2007	<u>(269,958)</u>

17 RELATED PARTY DISCLOSURES

The company owed its subsidiary, The Ryes School Limited £1,409,856 at 30 April 2007 (2006, £2,042,471)
The company was owed by its subsidiary RSO Training Limited £0 at 30 April 2007 (2006, £17,961)
The company was owed by its subsidiary Kesgrave Enterprises Limited £0 at 30 April 2007 (2006, £172,309)

The company has full cross guarantees with all group companies

18 POST BALANCE SHEET EVENTS

On the 5th October 2007, Kesgrave Hall was sold with the proceeds used to repay bank debt
With effect from 27 February 2008, the Royal Bank of Scotland replaced Bank of Scotland as the company's bankers

RSO Limited

Notes to the Financial Statements - continued
for the Year Ended 30 April 2007

19 **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	30 4 07	30 4 06
	£	£
Loss for the financial year	(121,393)	(161,280)
Issue of shares		
Net reduction of shareholders' funds	(121,393)	(161,280)
Opening shareholders' funds	101,435	262,715
Closing shareholders' funds	(19,958)	101,435