

Company Registration No. 1239120
Registered charity number: 270860

**ENGLISH LANGUAGE SERVICES
INTERNATIONAL LIMITED**
(a company limited by guarantee)

Report and Financial Statements

31 December 2002



ENGLISH LANGUAGE SERVICES INTERNATIONAL LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

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ENGLISH LANGUAGE SERVICES INTERNATIONAL LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

<i>Dr F Pinter</i>	<i>Chief Executive</i>
J B Read	Director of Finance

REGISTERED OFFICE

106 Piccadilly
London
W1J 7NL

BANKERS

The Royal Bank of Scotland
43 Curzon Street
London
W1Y 7RF

SOLICITORS

Lawrence Graham
190 The Strand
London
WC2R 1JN

AUDITORS

Nexia Audit Limited
1 Riding House Street
London
W1A 3AS

ENGLISH LANGUAGE SERVICES INTERNATIONAL LIMITED

GOVERNORS' REPORT

REPORT OF THE GOVERNORS FOR THE YEAR ENDED 31 DECEMBER 2002

The Governors, who are also directors of the charity for the purposes of the Companies Act, present their report and financial statements for the year ended 31 December 2002.

The company was incorporated with a view to advancing the teaching of English as a foreign language within the United Kingdom and elsewhere throughout the world. It is a registered charity, number 270860. English Language Services International Limited is a trust corporation as certified by the Lord Chancellor's Office on 20 October 1977. The company has since its incorporation been acting as the sole corporate trustee of the Haycraft Trust. The principal activities of the Haycraft Trust have been the running of a teacher training college for the primary purpose of training people of all nationalities to teach the English language to foreigners.

Group financial statements include the activities of the company, the Haycraft Trust, International House Educational Trust Limited and International House Limited.

The company is also the sole corporate trustee of International House Educational Trust Limited whose primary purpose is the teaching and training of teachers for any language.

The company is also the sole member of International House Limited whose share capital was acquired by the Haycraft Trust. In common with the other assets held by the company as trustee, the investment is not shown in the balance sheet of the company but is disclosed in the financial statements of the Haycraft Trust.

INCOME GENERATION

During a further difficult year for language schools in the United Kingdom, and especially in London, due mainly to the continuing strong value of the pound and the ongoing effects of 11th September 2001, the charity's income increased from £5,084,977 to £5,156,595, excluding income from the sale of an investment in 2001. This represented, an increase of just under 1.5%.

All three main areas of the charity's activities saw results similar to those achieved during 2001, with the exception of Teacher Training, where income increased by almost 22% due to an increased demand for courses, which the charity was in a position to satisfy this year.

RESOURCES EXPENDED AND SERVICES

The last year has seen the completion of consolidating the charity's position in its key market segments, including action to reduce the existing cost base of the charity to ensure that the charity remains in a position to continue to carry out its laid down objectives.

FUTURE DEVELOPMENTS

The charity is continuing to work with other educational organisations to develop new courses and new methods of delivering current courses to enable the Trust to both remain able to carry out its objectives and also to provide its beneficiaries with more convenient ways of obtaining the training they require in this modern fast changing world.

FINANCIAL RESULTS

	Company £	Group £
Net movement in funds	(530,643)	(203,987)
Resources brought forward	(953)	2,497,837
Resources carried forward	<u>(531,596)</u>	<u>2,293,850</u>

GOVERNORS' REPORT

RESERVES POLICY

The Governors have conducted a review of the level of unrestricted reserves, by considering the financial risks associated with the various income streams, expenditure types and balance sheet items. The Governors aim to:

- Generate reserves for investment and for the long-term future of the overall organisation.
- Build a minimum cash reserve, which equates to 20% of Annual Fee Income (£910,000).
- Establish a Development Fund as soon as the minimum cash reserve target has been achieved, any amount over and above the minimum reserve to be transferred into the Development Fund for business development, capital projects and not for short-term cash calls up to a maximum of £1,500,000.
- Provide the Trust with longer-term investments to ensure the viability of the Trust in the medium to long term.

CHANGES IN FIXED ASSETS

The movements in fixed assets during the year are set out in note 7 to the financial statements.

GOVERNANCE AND INTERNAL CONTROL

Applications for trusteeship are by personal invitation of an existing trustee, and after due consideration by the full board of trustees. One third of the trustees retire by rotation each year and are eligible for re-election. Trustees normally meet six times a year, unless additional meetings are considered necessary. The Finance and General Purposes Committee and the Personnel and Remuneration Committees also meet six times a year, prior to each board meeting.

Company law requires the Governors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and the group and of the income and expenditure of the group for that period. In preparing those financial statements, the Governors are required to:

- *select suitable accounting policies and then apply them consistently;*
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The Governors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The systems of internal control employed in the charity are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. They include:

- An annual budget approved by the trustees.
- Regular consideration by the trustees of the financial results and variances from budget.
- Delegation of authority and segregation of duties.
- The development during 2003 of system to identify and manage risk.

ENGLISH LANGUAGE SERVICES INTERNATIONAL LIMITED

GOVERNORS' REPORT

A sub committee of Trustees is being set up to develop the systems to identify and manage risk, and its task over the remainder of 2003 and 2004 is to:

- identify the major risks, to which the Company is exposed;
- review the risks exposed;
- establish systems to mitigate these risks; and
- establish systems to ensure that the identified risks are regularly reviewed and revised as necessary.

RELATIONSHIPS WITH RELATED PARTIES AND OTHER CHARITIES

The Company does not have any relationships with related parties. The Company has recently been working with the British Council to develop a new course, and is open to working with other charitable organisations, when such co-operation can be seen to benefit the stated objectives of both organisations. Relationships with non-charitable organisations are only considered provided that such relationships benefit the stated objectives of the Company.

BOARD OF GOVERNORS

The following served as Governors during the year:

Glen Davie	Frances Pinter	(resigned 28 August 2002)
William McAlister	Paula Kahn	
Brita Haycraft	Michael Noonan	
Anne Peters	Matthew Bullock	
Jeremy Harmer	(appointed 28 January 2003)	

Those members of the Board of Governors, who are members of the company, each have an interest in the company as guarantors, which is limited to an amount not exceeding £1.

Paula Kahan, Matthew Bullock and Jeremy Harmer retire by rotation in accordance with the Articles of Association (paragraph 47) and being eligible offer themselves for re-election.

AUDITORS

Nexia Audit Limited were appointed as auditors during the year.

Approved by the Board of Directors
and signed on behalf of the Board



John Read
Secretary
23rd October 2003

Nexia Audit

— Limited —

Independent auditors' report to the members of English Language Services International Limited

We have audited the accounts of English Language Services International Limited for the year ended 31 December 2002 on pages 6 to 19. These accounts have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the charity'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 charity'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 charity and the charity'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 Governors' Responsibilities the governors, who are also the directors of English Language Services International Limited for the purposes of company law, are responsible for the preparation of the accounts in accordance with applicable law, United Kingdom Accounting Standards and the Statement of Recommended Practice for charities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts 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 Governors' Report is not consistent with the accounts, if the charity has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding governors' remuneration and transactions with the charitable company is not disclosed.

We read the other information contained within the Governors' Report and consider whether it is consistent with the audited accounts. This other information comprises only the Governors Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the governors in the preparation of the accounts, and of whether the accounting policies are appropriate to the charity'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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the charitable group's and company's affairs as at 31 December 2002 and of the charitable group's incoming resources and application of resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Nexia Audit Limited

Nexia Audit Limited

Chartered Accountants

Registered Auditors

1 Riding House Street

London

W1A 3AS

30 October 2003

ENGLISH LANGUAGE SERVICES INTERNATIONAL LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (Incorporating an Income and Expenditure Account) Year ended 31 December 2002

	Note	Total funds 2002 £	Total funds 2001 £
INCOMING RESOURCES			
Activities in furtherance of the charities objects			
- teaching and related income	2	5,105,886	5,036,358
Activities for generating funds			
- rental income		34,924	31,475
- interest receivable		15,785	17,144
TOTAL INCOMING RESOURCES		5,156,595	5,084,977
CHARITABLE EXPENDITURE			
COSTS IN FURTHERANCE OF CHARITABLE OBJECTS			
Direct charitable expenditure	4	5,210,443	5,268,548
Management and administration	4	81,162	48,927
Trading company expenditure	4	99,967	90,289
TOTAL CHARITABLE EXPENDITURE AND RESOURCES EXPENDED	4	5,391,572	5,407,764
NET OUTGOING RESOURCES	6	(234,977)	(322,787)
Gain on investment		-	218,258
NET MOVEMENT IN FUNDS/INCOME AND EXPENDITURE FOR THE YEAR		(234,977)	(104,529)
Funds balance brought forward at 1 January		2,497,837	2,602,366
FUNDS BALANCE CARRIED FORWARD AT 31 DECEMBER		2,262,860	2,497,837

All of the above results are derived from continuing activities. All funds in 2002 are unrestricted.

The company has no other recognised gains and losses other than those stated above. Accordingly a statement of Recognised Gains and Losses has not been presented.

ENGLISH LANGUAGE SERVICES INTERNATIONAL LIMITED

CONSOLIDATED BALANCE SHEET

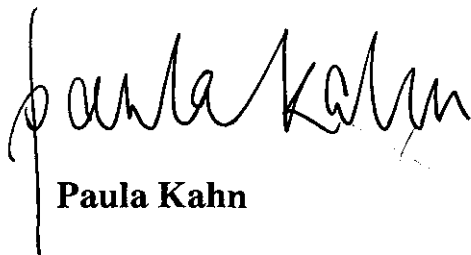
As at 31 December 2002

	Note	2002 £	2001 £
FIXED ASSETS			
Tangible assets	7	5,736,255	5,970,325
Investments	8	2,333	2,333
		<u>5,738,588</u>	<u>5,972,658</u>
CURRENT ASSETS			
Debtors	9	1,205,863	973,648
Cash at bank and in hand		585,157	26,018
		<u>1,791,020</u>	<u>999,666</u>
CREDITORS: amounts falling due within one year	10	<u>(3,433,412)</u>	<u>(2,308,530)</u>
NET CURRENT LIABILITIES		<u>(1,642,392)</u>	<u>(1,308,864)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,096,196</u>	<u>4,663,794</u>
CREDITORS: amounts falling due after more than one year	11	<u>(1,833,336)</u>	<u>(2,165,957)</u>
NET ASSETS		<u>2,262,860</u>	<u>2,497,837</u>
FUNDS			
Unrestricted general funds		<u>2,262,860</u>	<u>2,497,837</u>
TOTAL FUNDS		<u>2,262,860</u>	<u>2,497,837</u>

The financial statements were approved by the Governors on 23rd October 2003 and signed on their behalf by:



Anne Peters



Paula Kahn

ENGLISH LANGUAGE SERVICES INTERNATIONAL LIMITED

BALANCE SHEET

31 December 2002

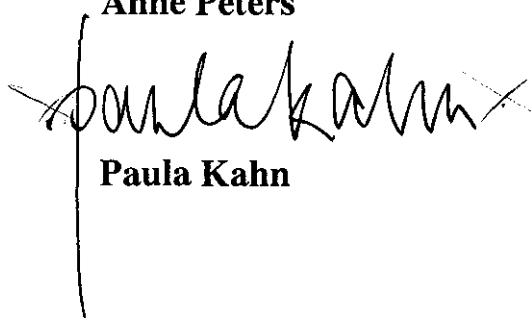
	Note	2002 £	2001 £
FIXED ASSETS			
Tangible assets	7	9,462	-
		<u>9,462</u>	<u>-</u>
CURRENT ASSETS			
Debtors	9	-	532
Cash at bank and in hand		1,465	1,465
		<u>1,465</u>	<u>1,997</u>
CREDITORS: amounts falling due within one year	10	(542,523)	(2,950)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(541,058)</u>	<u>(953)</u>
NET ASSETS		<u>(531,596)</u>	<u>(953)</u>
DEFICIT			
Unrestricted general deficit		<u>(531,596)</u>	<u>(953)</u>

These financial statements were approved by the Board of Directors on 23rd October 2003.

Signed on behalf of the Board of Directors



Anne Peters



Paula Kahn

ENGLISH LANGUAGE SERVICES INTERNATIONAL LIMITED

CONSOLIDATED CASH FLOW STATEMENT Year ended 31 December 2002

	Note	2002 £	2001 £
Net cash inflow from operating activities	12	1,047,636	489,918
Returns on investments and servicing of finance	13	(208,027)	(254,881)
Capital expenditure and financial investment	13	(61,640)	226,537
Net cash inflow before financing		<u>777,969</u>	<u>461,574</u>
Financing	13	(398,543)	(285,554)
Increase in cash and cash equivalents	14	<u><u>379,426</u></u>	<u><u>176,020</u></u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2002

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have been used consistently throughout the year and the preceding year except where explained below.

Basis of financial statements

The financial statements have been prepared under the historical cost convention. Group financial statements consist of the financial statements of the parent together with the results of the Haycraft Trust, International House Educational Trust and International House Limited. No separate statement of financial activities for the parent company has been presented as permitted by Section 230 of the Companies Act 1985. The parent company's loss for the year was £501,643 (2001: loss £2,997). These financial statements comply with the Statement of Recommended Practice 'Accounting and Reporting by Charities' and applicable accounting standards.

Freehold property

The property at 5/6 Yarmouth Place was acquired in September 1985 and the property at 1/4 Yarmouth Place was acquired in October 1993 by English Language Services International Limited on behalf of The Haycraft Trust. All costs are being depreciated over a 50 year period.

Leasehold property

- (i) The property known as St. James' (106 Piccadilly) was acquired in November 1976. The lease was renewed from December 1996 for a further 15 years. All costs are to be written off as incurred.
- (ii) The property at 45 Hertford Street was acquired in October 1989. This is a lease for 25 years from 24 June 1988. All costs are to be written off as incurred.

Other fixed assets

- (i) Other fixed assets are stated at cost.
- (ii) Computers, video equipment, language laboratories and furniture, fittings and equipment are depreciated at 20% on a straight line basis.
- (iii) Motor vehicles are depreciated on a 20% straight line basis.

Investments

Investments in subsidiaries and associates are stated at cost in the balance sheet, less provision for impairment.

Operating leases for hire of equipment

Operating lease rentals are written off to the Statement of Financial Activities over the period in which the cost is invoiced.

Fund accounting

General funds are available for use at the discretion of the Governors in furtherance of the general objective of the Group. Restricted funds are funds subject to specific restrictive conditions imposed by funders or by the purpose of the appeal.

All income is shown in the Statement of Financial Activities when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy.

VAT

Only International House Limited is registered for VAT and therefore all relevant expenses of the other activities in the group include VAT.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2002

1. ACCOUNTING POLICIES (CONTINUED)

Resources expended

Direct charitable expenditure comprises expenditure related to the direct furtherance of the Group's charitable objectives. All expenditure is accounted for on the accruals basis.

The cost headings comprise expenditure, including staff costs, directly attributable to the activity. Central overheads are allocated on the basis of their use with the aim of ensuring that those costs remaining within administration relate to the management of the Group's assets, organisational administration and compliance with constitutional and statutory requirements.

2. TUITION FEE INCOME

	2002 £	2001 £
Language courses	3,461,879	3,528,343
Teacher training courses	1,065,834	847,580
Teacher practice lessons	37,097	55,411
Students and trainees ancillary services	159,624	234,587
Affiliation subscriptions	371,050	369,545
Other language services and income	10,402	892
TOTAL TEACHING AND RELATED INCOME	5,105,886	5,036,358

Tuition fee income is stated after deducting direct expenses included in the fees relating to examination fees and providing books and materials. The amounts deducted were as follows:

	2002 £	2001 £
Language courses:		
- Examination fees	40,899	20,829
- Books and educational materials	53,199	39,193
	<u>94,098</u>	<u>60,022</u>
Teacher training courses:		
Examination fees	<u>67,158</u>	<u>64,965</u>

These direct costs are passed on to those attending the courses without any mark up. No charge is made by the group for the cost of booking the examinations or for purchasing materials on behalf of attendees.

ENGLISH LANGUAGE SERVICES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2002

3. DIRECT CHARITABLE EXPENDITURE

	2002 £	2001 £
Staff payroll costs and charges	3,172,807	3,138,374
School expenses and overheads	1,415,830	1,414,086
Costs of students and trainees ancillary services	102,284	150,663
Interest and charges	223,812	272,025
Depreciation	295,710	293,400
	<u>5,210,443</u>	<u>5,268,548</u>

4. TOTAL RESOURCES EXPENDED

	Staff costs £	Other Costs £	Total 2002 £	Total 2001 £
Direct charitable expenditure:				
Educational courses and services	3,132,392	1,975,767	5,108,159	5,117,885
Students and trainees ancillary services	94,305	7,979	102,284	150,663
	<u>3,226,697</u>	<u>1,983,746</u>	<u>5,210,443</u>	<u>5,268,548</u>
Charity management and administration	52,162	-	52,162	48,927
	<u>3,278,859</u>	<u>1,983,746</u>	<u>5,262,605</u>	<u>5,317,475</u>
Non-charitable company expenditure:				
Affiliation, language services and other	-	97,977	97,977	90,289
	<u>3,278,859</u>	<u>2,081,723</u>	<u>5,360,582</u>	<u>5,407,764</u>

5. STAFF COSTS

	2002 £	2001 £
Gross wages and salaries	3,037,953	2,965,687
Social security costs	240,906	261,196
	<u>3,278,859</u>	<u>3,226,883</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2002

5. STAFF COSTS (CONTINUED)

The number of employees who earned £50,000 or more were:

	2002 Number	2001 Number
£65,000 - £69,999	-	1

The Governors neither received nor waived any emoluments during the year (2001: £Nil). They were reimbursed expenses of £1,191 during the year (2001: £1,209).

The average number of employees, analysed by function was:

	2002 Number	2001 Number
Direct charitable expenditure	194	207
Management and administration	2	2
	196	209

6. NET OUTGOING RESOURCES

Net outgoing resources is stated after charging:

	2002 £	2001 £
Depreciation	295,710	293,400
Auditors' remuneration		
- Audit fees	17,280	16,968
- Non-audit services (paid to related companies)	21,516	221
- Leasehold property rents and other operating leases	287,000	287,000
Interest payable	223,812	272,025

ENGLISH LANGUAGE SERVICES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2002

7. TANGIBLE FIXED ASSETS - GROUP

	Company Furniture and equipment £	Group Freehold land and buildings £	Group Furniture and equipment £	Group Total £
Cost				
1 January 2002	-	7,146,796	976,460	8,123,256
Additions	12,166	-	61,640	61,640
31 December 2002	12,166	7,146,796	1,038,100	8,184,896
Depreciation				
1 January 2002	-	1,380,001	772,930	2,152,931
Charge for the year	2,704	144,000	151,710	295,710
31 December 2002	2,704	1,524,001	924,640	2,448,641
Net book value				
31 December 2002	9,462	5,622,795	113,460	5,736,255
31 December 2001	-	5,766,795	203,530	5,970,325

Capital commitments at 31 December 2002 were £nil (2001: £nil).

8. INVESTMENTS - GROUP

	2002 £	2001 £
At 1 January	2,333	46,652
Disposals	-	(44,319)
Cost 31 December	2,333	2,333

The parent company is the sole member of International House Educational Trust Limited, a company limited by guarantee with no share capital. The parent company is the sole corporate trustee of the Haycraft Trust. The Haycraft Trust holds 100% of the issued share capital of International House Limited, which comprises 5,000 £1 ordinary shares. The cost of those shares was £5,000. All the companies are registered in England.

Net Languages SL, situated in Spain, trades as International House Internet Language course. The Trust paid £46,652 for 25% of the share capital of this company. The objectives of this company are to provide distance English language training courses using information technology. During 2001 the Trust sold 95% of its holding in Net Languages SL for £262,558.

ENGLISH LANGUAGE SERVICES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2002

9. DEBTORS

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Trade	675,292	568,361	-	532
Amounts due from Affiliates	66,165	102,542	-	-
Future course development costs	65,281	77,150	-	-
Other debtors	184,634	-	-	-
Prepayments	196,144	210,875	-	-
Staff loans and advances	18,347	12,618	-	-
VAT	-	2,102	-	-
	<u>1,205,863</u>	<u>973,648</u>	<u>-</u>	<u>532</u>

Of the total above, £67,500 (2000 - £67,500) within prepayments and £184,634 of other debtors is recoverable in greater than one year.

The other debtor relates to fees incurred on properties to be sold in 2005.

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Bank overdraft	314,712	134,999	-	-
Trade creditors	502,403	432,976	-	-
Amounts owing to Affiliates	61,723	106,957	-	-
Other creditors	1,309,664	351,018	-	-
Accruals	161,462	70,963	34,364	2,950
Other taxes and social security costs	96,262	76,601	-	-
Course fees in advance	767,554	849,462	-	-
Loan repayment instalment (note 11)	219,632	285,554	-	-
Haycraft Trust	-	-	508,159	-
	<u>3,433,412</u>	<u>2,308,530</u>	<u>542,523</u>	<u>2,950</u>

The bank overdraft is secured by a fixed second charge over the freehold buildings and a floating charge over the other fixed assets of the Haycraft Trust.

ENGLISH LANGUAGE SERVICES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2002

11. SECURED LOAN

	2002 £	2001 £
Loans from 3i:		
(i) Repayable by annual instalments of £56,250 payable on 31 August in each year	-	168,750
(ii) Flexible term loan commitment agreement reducing by £183,333 per year on 31 December 1998 to 31 December 2003, followed by £366,666 per year on 31 December 2004 to 31 December 2007 and by £366,672 on 31 December 2008:		
Total borrowed at 31 December 2002	2,016,669	2,200,002
Total loans from 3i	2,016,669	2,368,752
Loan from Lombard Leasing	36,299	82,759
Total loans	2,052,968	2,451,511
Due in less than one year	219,632	285,554
Due in more than one year	1,833,336	2,165,957
	2,052,968	2,451,511

3i Interest charges:

- (i) £337,500 – interest payable at a fixed rate of 10.1% from the 12th anniversary of the loan on 19 July 1997.
- (ii) £1,650,000- payable at a fixed rate of 9.85% per annum until 3 October 1998. £750,000 – interest payable at a rate of 2.25% above whichever is the higher of 5% and the relevant LIBOR rate until 3 October 1998. From 4 October 1998 interest on the whole amount of £2,400,000 was payable at a rate of 2.25% above whichever is the higher of 5% or the relevant LIBOR rate.

Further withdrawals may either be at a rate of 2.25% above whichever is the higher of 5% and the relevant LIBOR rates, or at a quoted fixed rate at the time of withdrawal for a period of not less than five years. A fee of 0.8% per annum is charged on the undrawn commitment amount. Minimum levels which must be maintained under the terms of the loan are £1,100,000 to 31 December 1999 and £550,000 to 31 December 2002.

Lombard Finance interest charges:

Interest is fixed for the duration of the 3 year loan. The total interest chargeable during the three years is £19,001.

Security:

The above loans from 3i and Lombard Finance are secured by first charges on the freehold properties of 1-4 and 5-6 Yarmouth Place, London W1, and fixed and floating charges on all other assets.

ENGLISH LANGUAGE SERVICES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2002

12. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 £	2001 £
Net movement in funds	(234,977)	(104,529)
Interest receivable	(15,785)	(17,144)
Interest and charges payable	223,812	272,025
Depreciation charges	295,710	293,400
(Profit)/loss on sale of fixed assets	-	(218,259)
	<u>268,760</u>	<u>225,493</u>
Increase in debtors	(232,215)	(110,363)
Increase in creditors	1,011,091	374,788
	<u>1,047,636</u>	<u>489,918</u>
Net cash inflow from operating activities	<u>1,047,636</u>	<u>489,918</u>

13. ANALYSIS OF CASH FLOWS

	2002 £	2001 £
(i) Returns on investment and servicing of finance:		
Interest received	15,785	17,144
Interest paid	(223,812)	(272,025)
	<u>(208,027)</u>	<u>(254,881)</u>
(ii) Capital expenditure and financial investment:		
Purchase of tangible fixed assets	(61,640)	(36,041)
Sale of tangible fixed assets	-	-
Sale of investment	-	262,578
	<u>(61,640)</u>	<u>226,537</u>
(iii) Financing:		
Loan from Lombard Finance	-	-
Loan repayment	(398,543)	(285,554)
	<u>(398,543)</u>	<u>(285,554)</u>

ENGLISH LANGUAGE SERVICES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2002

14. ANALYSIS AND RECONCILIATION OF NET DEBT

	1 January 2002 £	Cash flow £	Non cash £	31 December 2002 £
Debts due after one year	(2,165,957)	112,989	219,632	(1,833,336)
Debts due within one year	(285,554)	285,554	(219,632)	(219,632)
	(2,451,511)	398,543	-	(2,052,968)
Cash at bank and in hand	26,018	559,139	-	585,157
Bank overdraft	(134,999)	(179,713)	-	(314,712)
Net debt	(2,560,492)	777,969	-	(1,782,523)

	2002 £	2001 £
(Increase) in cash in the year	(379,426)	(176,020)
Finance repayments	(398,543)	(285,554)
Net debt 1 January	2,560,491	3,022,065
Net debt at 31 December	1,782,523	2,560,491

15. OPERATING LEASES

	2002		2001	
	Land and buildings £	Other £	Land and buildings £	Other £
Payments under non-cancellable operating leases are as follows:				
Within one year	-	12,690	-	-
Within two to five years	-	-	-	14,805
After five years	287,000	-	287,000	-
	287,000	12,690	287,000	14,805

16. TAXATION STATUS

English Language Services International Limited (charity number 270860), International House Educational Trust (number 1045223) and The Haycraft Trust (number 312854), are registered charities, and accordingly are exempt from taxation on their results. The Trust as an educational body is exempt from charging VAT on its services. Where appropriate, expenditure is inclusive of VAT.

17. CONTINGENT LIABILITIES

There were no contingent liabilities at the year end (2000 - £nil).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2002

18. SHARE CAPITAL

The company is limited by guarantee and does not have share capital.

Members are not entitled to any dividends or to a share in the assets on dissolution. Each member undertakes to contribute up to a maximum sum of £1 on winding up. Each member has one vote.

19. ULTIMATE HOLDING COMPANY

The Governors regard the ultimate holding company as English Language Services International Limited. English Language Services International Limited is the parent undertaking of the largest and smallest groups of which the company is a member and for which financial statements are drawn up. Copies of the group financial statements are available from 106 Piccadilly, London W1J 7NL.