

# **OISE Limited**

Consolidated financial statements

For the year ended 31 December 2003



**Company no. 1322002**

## Company information

<b>Company registration number</b>	1322002
<b>Registered office</b>	3 Worcester Street OXFORD OX1 2PZ
<b>Directors</b>	T Gins F Gins C W Smith G Forster P Gins
<b>Secretary</b>	Aldwych Secretaries Limited
<b>Bankers</b>	Lloyds TSB Bank plc Wallbrook Court OXFORD OX2 0QS  Fortis Bank Worton Grange READING RG2 0TD
<b>Solicitors</b>	Manches LLP 3 Worcester Street OXFORD OX1 2PZ
<b>Auditors</b>	Grant Thornton Chartered Accountants Registered Auditors 1 Westminster Way OXFORD OX2 0PZ

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## Chairman's statement

2003 has been a difficult year for the group. In particular the Iraq war and SARS coming in the first half of the year (when most bookings are made) generated a loss in confidence in travelling abroad throughout the world and our turnover on a like for like basis declined. However I am glad to say that 2004 bookings are significantly higher.

I reported last year that the group continued to make long term investments. Our American operation has continued to improve its performance and we increased our investment by purchasing a 50% stake in Converse International School of Languages San Francisco LLC, a language school based in San Francisco. I look forward to seeing further performance improvements. We purchased the well known Pilgrims operation in Canterbury. This acquisition will substantially increase in size as will Converse International School of Languages. I welcome all these new employees to the group.

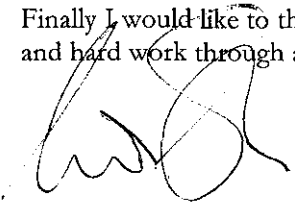
We continue to be approached by vendors of other schools as it is well known that we are acquisitive. However we have strict criteria that we adopt in judging whether to enter into serious negotiations.

Because of the way the accounting profession insist on drawing up accounts our financial statements do not show a true reflection of our asset value. We have noted in the directors' report that our freehold assets throughout the world are some £2.6million more than the figure shown in our balance sheet. Of course the intrinsic value of goodwill is also much greater than the balance sheet figure. Thus a reader can see that the group is financially strong.

Being an international company we decided to switch the majority of our banking to Fortis who provide European wide facilities. This reduces our costs significantly as well as speeding up our cash transfers between countries.

I indicated last year that we would be increasing share capital to £250,000. In the event we increased our authorised share capital to £250,000.

Finally I would like to thank my fellow directors and all our staff around the world for all their support and hard work through a difficult year. We look forward to a significantly better 2004.



**C W Smith**  
**Chairman**  
**27 May 2004**

## Report of the directors

The directors present their report and the financial statements of the group for the year ended 31 December 2003.

### Principal activities and business review

The principal activity of the company is the management of the OISE group.

The principal activity of the group is language tuition and the provision of leisure programmes.

During the year the company acquired a subsidiary undertaking, Quaives Securities Limited and by virtue of this acquisition, that company's wholly owned subsidiary undertaking, Pilgrims Limited.

The group also acquired a 50% holding in Converse International School of Languages San Francisco LLC.

### Results and dividends

There was a profit for the year after taxation amounting to £606,525 (2002: £693,663).

Dividends of £20,000 (2002: £80,000) were paid in the year.

### The directors and their interests

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary shares of £1 each	
	2003	2002
T Gins	90	90
F Gins	2	2
C W Smith	—	—
G Forster	—	—
P Gins	—	—

### Land and buildings

The directors are of the opinion that in aggregate the market value of the land and buildings exceeds the book value of the assets by approximately £2,600,000 (2002: £2,500,000). If the land and buildings were realised at this figure without qualifying re-investment, corporation tax of approximately £760,000 (2002: £726,000) would be payable on the surplus arising.

### Employee involvement

The group has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the group.

**Disabled employees**

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the company may continue.

It is the policy of the company that training, career development and promotion opportunities should be available to all employees.

**Directors' responsibilities**

Company law in the United Kingdom requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended.

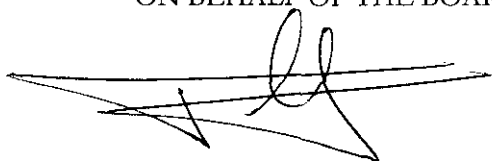
In preparing those financial statements, the directors are required to select suitable accounting policies, as described on page 9, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the financial statements on the 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. The directors 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.

**Auditors**

A resolution to re-appoint Grant Thornton as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



**T Gins**  
**Director**  
**27 May 2004**

## Report of the independent auditors to the members of OISE Limited

We have audited the financial statements of OISE Limited for the year ended 31 December 2003 which comprise the principal accounting policies, the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the statement of total recognised gains and losses and notes 1 to 26. 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 report of the directors and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

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 other information contained in the directors' report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the 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 group'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 and of the group as at 31 December 2003 and of the profit of the group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON**  
**REGISTERED AUDITORS**  
**CHARTERED ACCOUNTANTS**  
**OXFORD**  
**27 May 2004**



## Principal accounting policies

### Basis of accounting

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

The principal accounting policies of the group are set out below and remain unchanged from the previous year

### Basis of consolidation

The group financial information consolidates the financial statements of the company and its subsidiary undertakings. The results of subsidiary undertakings acquired during a financial period are included from the date of acquisition. Profits and losses on intra-group transactions are eliminated in full. On acquisition of a subsidiary, all of the subsidiary's assets and liabilities which exist at the date of acquisition are reflected at their fair values reflecting their condition at that date.

### Associates

The group financial statements incorporate associates under the equity method of accounting. The company balance sheet shows the investment in associates at cost.

### Goodwill

Goodwill representing the excess of fair value of the consideration given over the fair values of the identifiable net assets acquired is capitalised and amortised on a straight line basis over its estimated useful economic life of 20 years.

Negative goodwill is written back to the profit and loss account over its estimated useful economic life of 20 years.

Goodwill first accounted for in 1998 or before was eliminated from the financial statements by immediate write-off on acquisition against reserves. Such goodwill will be charged or credited to the profit and loss account on the subsequent disposal of the business to which it relates.

### Turnover

Turnover represents fees for language tuition and the provision of leisure programmes excluding VAT, which have occurred during the year. Income received in advance for courses running in future financial periods is deferred and released to turnover in that period.

### Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold buildings	2% straight line
Leasehold improvements	Over the period of the lease
Fixtures and equipment	10% - 25% straight line
Motor vehicles	25% straight line

Freehold land is not depreciated.

### **Leased assets**

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

### **Investments**

Investments are included at cost less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

### **Deferred taxation**

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

### **Foreign currency**

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

The financial statements of foreign subsidiaries and associates are translated at the rate of exchange ruling at the balance sheet date. The exchange differences arising from the retranslation of the opening net investment in subsidiaries and associates are taken directly to reserves.

All other exchange differences are dealt with through the profit and loss account.

### **Pension costs**

The company operates a defined contribution pension scheme for employees. The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

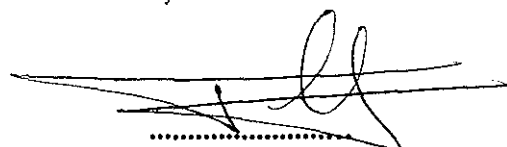
## Consolidated profit and loss account

	Note	Continuing operations 2003 £	Acquisitions 2003 £	Total 2003 £	Total 2002 £
<b>Turnover</b>		13,127,666	2,119,990	15,247,656	13,133,152
Cost of sales		(6,622,336)	(1,160,894)	(7,783,230)	(6,350,532)
<b>Gross profit</b>		6,505,330	959,096	7,464,426	6,782,620
Administrative expenses		(6,027,244)	(645,451)	(6,672,695)	(5,660,680)
<b>Operating profit</b>	1	478,086	313,645	791,731	1,121,940
Share of operating loss in associate		—	(4,511)	(4,511)	—
		478,086	309,134	787,220	1,121,940
Interest payable	2			(82,106)	(108,377)
Interest receivable				15,585	8,600
<b>Profit on ordinary activities before taxation</b>				720,699	1,022,163
Tax on profit on ordinary activities	4			(114,174)	(328,500)
<b>Profit on ordinary activities after taxation</b>				606,525	693,663
Dividends	6			(20,000)	(80,000)
<b>Retained profit for the financial year</b>	16			586,525	613,663

## Consolidated balance sheet

	Note	2003 £	2002 £
<b>Fixed assets</b>			
Intangible assets			
- Goodwill	7	1,432,590	636,664
- Negative goodwill	7	(670,746)	(712,668)
		<u>761,844</u>	<u>(76,004)</u>
Tangible assets	8	4,000,931	3,885,966
Investments:			
- Goodwill arising on acquisition of associated undertaking	10	125,252	—
- Share of net assets in associated undertaking	10	13,047	—
		<u>4,901,074</u>	<u>3,809,962</u>
<b>Current assets</b>			
Debtors	11	1,808,924	1,062,671
Cash at bank		501,013	403,964
		<u>2,309,937</u>	<u>1,466,635</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(3,762,853)</u>	<u>(2,304,276)</u>
<b>Net current liabilities</b>		<u>(1,452,916)</u>	<u>(837,641)</u>
<b>Total assets less current liabilities</b>		<u>3,448,158</u>	<u>2,972,321</u>
<b>Creditors: amounts falling due after more than one year</b>	13	<u>(1,694,766)</u>	<u>(1,885,185)</u>
		<u>1,753,392</u>	<u>1,087,136</u>
<b>Capital and reserves</b>			
Called-up share capital	15	100	100
Profit and loss account	16	1,753,292	1,087,036
<b>Shareholders' funds</b>	17	<u>1,753,392</u>	<u>1,087,136</u>

These financial statements were approved by the directors on 27 May 2004 and are signed on their behalf by:

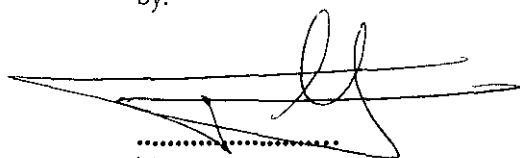


**T Gins**  
Director

## Company balance sheet

	Note	2003 £	2002 £
<b>Fixed assets</b>			
Tangible assets	8	1,498,669	1,521,746
Investments	9	3,348,584	2,445,726
		<u>4,847,253</u>	<u>3,967,472</u>
<b>Current assets</b>			
Debtors	11	2,856,793	3,204,719
Cash at bank and in hand		367	172
		<u>2,857,160</u>	<u>3,204,891</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(3,190,548)</u>	<u>(3,268,765)</u>
<b>Net current liabilities</b>		<u>(333,388)</u>	<u>(63,874)</u>
<b>Total assets less current liabilities</b>		<u>4,513,865</u>	<u>3,903,598</u>
<b>Creditors: amounts falling due after more than one year</b>	13	<u>(1,311,269)</u>	<u>(1,167,168)</u>
		<u>3,202,596</u>	<u>2,736,430</u>
<b>Capital and reserves</b>			
Called-up share capital	15	100	100
Profit and loss account	16	3,202,496	2,736,330
<b>Shareholders' funds</b>		<u>3,202,596</u>	<u>2,736,430</u>

These financial statements were approved by the directors on 27 MAY 2004 and are signed on their behalf by:



T Gins  
Director

## Consolidated cash flow statement

	Note	2003 £	2002 £
<b>Net cash inflow from operating activities</b>	18	<b>35,444</b>	1,385,609
<b>Returns on investments and servicing of finance</b>			
Interest received		15,583	8,600
Interest paid		(80,149)	(99,743)
Finance interest paid		(1,956)	(8,634)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(66,522)</b>	(99,777)
<b>Taxation</b>		<b>(266,750)</b>	(14,502)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(133,892)	(381,512)
Sale of tangible fixed assets		1,560	73,168
<b>Net cash outflow from capital expenditure and financial investment</b>		<b>(132,332)</b>	(308,344)
<b>Acquisitions and disposals</b>			
Purchase of investments		(904,186)	(99,395)
Net cash acquired		799,471	—
<b>Net cash outflow from acquisitions and disposals</b>		<b>(104,715)</b>	(99,395)
<b>Equity dividends paid</b>		<b>(20,000)</b>	(100,000)
<b>Financing</b>			
Capital element of finance lease rentals		(7,727)	(19,025)
Repayment of bank loans		(31,593)	(130,703)
Receipts from borrowings		—	163,185
<b>Net cash (outflow)/ inflow from financing</b>		<b>(39,320)</b>	13,457
<b>(Decrease)/increase in cash</b>	19	<b>(594,195)</b>	777,048

The accompanying accounting policies and notes form part of these financial statements.

## Statement of total recognised gains and losses

	2003 £	2002 £
<b>Profit for the financial year</b>	<b>606,525</b>	693,663
Currency differences on foreign currency net investment	<b>79,731</b>	78,076
<b>Total recognised gains</b>	<b><u>686,256</u></b>	<u>771,739</u>

## Notes to the financial statements

### 1 Operating profit

Operating profit is stated after charging:

	2003 £	2002 £
Auditors' remuneration:		
Audit services	40,500	35,250
Non audit services	130,800	11,316
Depreciation and amortisation:		
Tangible fixed assets, owned	240,425	252,396
Tangible fixed assets, held under finance leases and hire purchase contracts	—	11,015
Amortisation of goodwill (net)	47,254	3,262
Operating lease rentals, other	358,959	162,247

### 2 Interest payable and similar charges

	2003 £	2002 £
On bank loans and overdrafts	77,938	97,371
Hire purchase interest	1,956	8,634
Other loans	2,212	2,372
	<u>82,106</u>	<u>108,377</u>

### 3 Directors and employees

The average number of staff employed by the group during the financial year amounted to:

	2003 Number	2002 Number
Teaching	232	213
Administration	136	115
	<u>368</u>	<u>328</u>

The aggregate payroll costs of the above were:

	2003 £	2002 £
Wages and salaries	4,442,502	3,793,318
Social security costs	645,111	600,532
Other pension costs	85,496	88,466
	<u>5,173,109</u>	<u>4,482,316</u>



Remuneration in respect of directors was as follows:

	2003 £	2002 £
Emoluments	110,023	117,903
Pension contributions to money purchase schemes	20,678	20,678
	<u>130,701</u>	<u>138,581</u>

During the year two directors (2002: two) participated in the defined contribution pension scheme.

#### **4 Taxation on ordinary activities**

(a) Analysis of charge in the year

	2003 £	2002 £
Current tax:		
UK Corporation tax based on the results for the year at 30% (2002: 30%)	63,300	290,499
Adjustment in respect of prior years	(11,962)	(555)
	<u>51,338</u>	<u>289,944</u>
Overseas taxation	62,836	38,556
Total current tax	<u>114,174</u>	<u>328,500</u>

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained as follows:

(b) Factors affecting current tax charge

	2003 £	2002 £
Profit on ordinary activities before taxation	<u>720,699</u>	<u>1,022,163</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%)	216,210	306,649
Expenses not deductible for tax purposes	68,822	10,476
Depreciation in excess of capital allowances	14,755	9,660
Group loss relief	—	(3,257)
Losses carried forward	—	(1,826)
Tax rates on overseas subsidiary companies	(162,183)	(30,028)
Adjustment to tax charge in respect of prior periods	(11,963)	(555)
Other expenses	23,475	451
Utilisation of tax losses	(103,737)	—
Other differences	5,959	(1,625)
Total current tax (note 4(a))	<u>51,338</u>	<u>289,944</u>

**5 Profit for the financial year**

The company has taken advantage of the exemption allowed under section 230(1) of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The group profit for the year includes a profit of £466,166 (2002: £863,504) which is dealt with in the financial statements of the parent company.

**6 Dividends**

	2003 £	2002 £
Ordinary shares:		
Dividend of £200 per share (2002: £800)	<u>20,000</u>	<u>80,000</u>

**7 Intangible fixed assets**

Group	Goodwill £	Negative goodwill £	Total £
Cost			
At 1 January 2003	773,232	(838,434)	(65,202)
Additions	878,510	–	878,510
At 31 December 2003	<u>1,651,742</u>	<u>(838,434)</u>	<u>813,308</u>
Amortisation			
At 1 January 2003	(136,568)	125,766	(10,802)
Charge for the year	(82,584)	41,922	(40,662)
At 31 December 2003	<u>(219,152)</u>	<u>167,688</u>	<u>(51,464)</u>
Net book value			
At 31 December 2003	<u>1,432,590</u>	<u>(670,746)</u>	<u>761,844</u>
At 31 December 2002	<u>636,664</u>	<u>(712,668)</u>	<u>(76,004)</u>

On 3 April 2003, the group acquired 50% of the ordinary share capital of Converse International School of Languages San Francisco LLC, a company incorporated and registered in the USA.

On 19 June 2003, the group acquired 100% of the ordinary share capital of Quaives Securities Limited, a company incorporated and registered in England & Wales.

**8 Tangible fixed assets**

Group	Freehold property £	Leasehold improvements £	Fixtures and equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2003	2,929,571	803,297	2,183,543	63,150	5,979,561
Additions	473	28,980	104,440	—	133,893
Acquisition of subsidiary undertakings	—	73,494	248,256	13,854	335,604
Disposals	—	—	—	(28,634)	(28,634)
Foreign exchange movement	166,741	8,534	24,721	394	200,390
At 31 December 2003	<u>3,096,785</u>	<u>914,305</u>	<u>2,560,960</u>	<u>48,764</u>	<u>6,620,814</u>
Depreciation					
At 1 January 2003	105,150	168,100	1,757,195	63,150	2,093,595
Charge for the year	50,951	66,723	122,751	—	240,425
Acquisition of subsidiary undertakings	—	41,547	235,913	13,854	291,314
On disposals	—	—	—	(28,634)	(28,634)
Foreign exchange movement	6,421	2,005	14,363	394	23,183
At 31 December 2003	<u>162,522</u>	<u>278,375</u>	<u>2,130,222</u>	<u>48,764</u>	<u>2,619,883</u>
Net book value					
At 31 December 2003	<u><b>2,934,263</b></u>	<u><b>635,930</b></u>	<u><b>430,738</b></u>	<u><b>—</b></u>	<u><b>4,000,931</b></u>
At 31 December 2002	<u>2,824,421</u>	<u>635,197</u>	<u>426,348</u>	<u>—</u>	<u>3,885,966</u>

The directors estimate that the freehold property has a market value of £5,600,000 (2002: £5,350,000). No provision has been made for the capital gains taxation charge of £760,000 (2002: £726,000) which would be payable if the assets were sold at the market value at the balance sheet date without qualifying reinvestment.

## Consolidated financial statements for the year ended 31 December 2003

Company	Freehold property £	Leasehold improvements £	Fixtures and equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2003	1,534,129	51,388	1,110,795	58,437	2,754,749
Additions	—	—	5,019	—	5,019
Disposals	—	—	—	(9,673)	(9,673)
At 31 December 2003	<u>1,534,129</u>	<u>51,388</u>	<u>1,115,814</u>	<u>48,764</u>	<u>2,750,095</u>
Depreciation					
At 1 January 2003	47,099	50,313	1,077,154	58,437	1,233,003
Charge for the year	16,489	143	11,464	—	28,096
On disposals	—	—	—	(9,673)	(9,673)
At 31 December 2003	<u>63,588</u>	<u>50,456</u>	<u>1,088,618</u>	<u>48,764</u>	<u>1,251,426</u>
Net book value					
At 31 December 2003	<u><b>1,470,541</b></u>	<u><b>932</b></u>	<u><b>27,196</b></u>	<u>—</u>	<u><b>1,498,669</b></u>
At 31 December 2002	<u>1,487,030</u>	<u>1,075</u>	<u>33,641</u>	<u>—</u>	<u>1,521,746</u>

The net book value of fixtures and equipment includes an amount of £nil (2002: £11,015) in respect of assets held under finance leases. Depreciation charged on these fixtures and equipment in the year was £nil (2002: £11,015).

The directors estimate that the market value of the freehold properties is £3,800,000 (2002: £3,750,000). No provision has been made for the capital gains tax charge of £673,000 (2002: £664,000) which would be payable if the assets were sold at their market value at the balance sheet date without qualifying reinvestment.

## 9

## Investments

Company	Shares in group undertakings £
At cost and net book value	
At 1 January 2003	2,445,726
Additions	902,858
At 31 December 2003	<u><b>3,348,584</b></u>
At 31 December 2002	<u>2,445,726</u>

## Consolidated financial statements for the year ended 31 December 2003

At 31 December 2003 the company held 20% or more of the issued share capital of the following:

Name of undertaking	Country of incorporation	Class of share capital held	Proportion held by		Nature of business
			Parent company	Group	
Subsidiary undertakings:					
The Language School Company Limited	UK	Ordinary	100%	–	Language tuition
OISE Education Limited	UK	Ordinary	100%	–	Dormant company
Dugdales Limited	UK	Ordinary	100%	–	Dormant company
OISE Ireland Limited	Ireland	Ordinary	100%	–	Dormant company
Quaives Securities Limited	UK	Ordinary	100%	–	Dormant company
Pilgrims Limited	UK	Ordinary	–	100%	Language tuition
The Education and Training Company Limited	UK	Limited by guarantee	100%	–	Language tuition
L'Europeane de Sejours Linguistique SA	Switzerland	Ordinary	100%	–	Language tuition
Swissoise SA	Switzerland	Ordinary	–	100%	Language tuition
OISE Sejours et Voyages SARL	France	Ordinary	–	100%	Language tuition
OISE Formation SARL	France	Ordinary	–	100%	Language tuition
OISE Sprachtraining (Deutschland) GmbH	Germany	Ordinary	–	100%	Language tuition
OISE Italy SRL	Italy	Ordinary	–	100%	Language tuition
Programlanguas Espana SL	Spain	Ordinary	–	100%	Language tuition
OISE Australia Pty Limited	Australia	Ordinary	–	100%	Language tuition
OISE Boston Inc	USA	Ordinary	–	100%	Language tuition
ACE Consultores de Idiomas SA	Spain	Ordinary	–	100%	Language tuition
Associate undertaking:					
Converse International School of Languages San Francisco LLC	USA	Ordinary	–	50%	Language tuition

# 10 Investment in associated undertaking

Group	Goodwill arising on acquisition of associated undertaking £	Group's share of net assets of associated undertaking £
At 1 January 2002	–	–
Additions	131,844	17,558
Amortisation in the year	(6,592)	–
Group's share of loss in the year	–	(4,511)
At 31 December 2003	<u>125,252</u>	<u>13,047</u>

**11 Debtors**

	<b>The group</b>		<b>The company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade debtors	1,236,830	808,879	—	—
Amounts owed by group undertakings	—	—	2,850,008	3,177,506
Corporation tax repayable	162,344	—	—	19,842
Other debtors	108,760	171,044	1,000	449
Prepayments and accrued income	300,990	82,748	5,785	6,922
	<u>1,808,924</u>	<u>1,062,671</u>	<u>2,856,793</u>	<u>3,204,719</u>

**12 Creditors: amounts falling due within one year**

	<b>The group</b>		<b>The company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loans and overdrafts	1,605,889	514,241	645,867	94,324
Obligations under hire purchase agreements	3,972	7,727	3,972	7,727
Trade creditors	324,487	155,520	34,690	23,245
Payments on account	1,148,072	1,120,323	—	—
Amounts owed to group undertakings	—	—	2,369,504	3,064,328
Corporation tax	169,531	177,767	28,239	—
Other taxation and social security	117,515	111,672	21,114	7,953
Other creditors	189,489	48,533	4,144	50,261
Accruals	203,898	168,493	83,018	20,927
	<u>3,762,853</u>	<u>2,304,276</u>	<u>3,190,548</u>	<u>3,268,765</u>

Bank overdrafts in the United Kingdom are secured by a fixed charge over the property of companies in the United Kingdom.

Bank loans outside the United Kingdom are secured by a fixed charge over the freehold properties of the companies to which they relate.

**13 Creditors: amounts falling due after more than one year**

	<b>The group</b>		<b>The company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loans	383,497	718,017	—	—
Obligations under hire purchase agreements	404	4,377	404	4,377
T Gins loan	1,162,791	1,162,791	1,162,791	1,162,791
Deferred consideration	148,074	—	148,074	—
	<u>1,694,766</u>	<u>1,885,185</u>	<u>1,311,269</u>	<u>1,167,168</u>

The bank loans are repayable in each country as follows:

The Australian loan has £354,132 outstanding and is an interest only loan. Interest payments are payable annually in advance at a fixed rate of 6.75%. The capital element of the loan is due for repayment in March 2004.

The German loan of £197,606 is repayable in monthly instalments and will be fully repaid in May 2009. The loan bears interest at a fixed rate of 4.8%.

The Swiss loan is repayable in two bi-annual instalments payable in January and June of each year. The loan, totalling £44,238 will be fully repaid in June 2019 and bears interest at a fixed rate of 3.875%

There are three loans in France, totalling £211,619. Two of the loans are repayable in quarterly instalments and will be fully repaid in December 2005 and December 2006. Each loan bears interest at a fixed rate of 7% and 5% respectively. The final loan in France has monthly repayments and bears interest at a fixed rate of 6%. This loan will be fully repaid in March 2009.

The loan from Mr T Gins, a director and major shareholder of OISE Limited, is in respect of the acquisition of PSL in 1999. It is denominated in Swiss Francs at a fixed sterling exchange rate, payable on or before 31 December 2009 at the company's discretion and is interest free.

The deferred consideration is in respect of the acquisition of Quaives Securities Limited and Converse International School of Languages San Francisco LLC which were purchased during the year. The consideration is interest free and will fall due upon the recognition of prescribed performance criteria which are not expected to be achieved in the next 12 months

Bank overdrafts in the United Kingdom are secured by a fixed charge over the property of companies in the United Kingdom.

Bank loans outside the United Kingdom are secured by a fixed charge over the freehold properties of the companies to which they relate.

## 14 Borrowings

Borrowings are repayable as follows

	2003 £	Group 2002 £	2003 £	Company 2002 £
Within one year				
Bank borrowings	1,605,889	514,241	645,867	94,324
Obligations under hire purchase agreements	3,972	7,727	3,972	7,727
Between one and two years				
Bank borrowings	72,653	360,277	—	—
Obligations under hire purchase agreements	404	4,377	404	4,377
Between two and five years				
Bank borrowings	153,274	163,418	—	—
After five years				
Bank and other borrowings	157,571	194,322	—	—
	<u>1,993,763</u>	<u>1,244,362</u>	<u>650,243</u>	<u>106,428</u>

**15 Share capital**

Authorised share capital:

	2003	2002
	£	£
250,000 ordinary shares of £1 each (2002: 100)	<u>250,000</u>	<u>100</u>

Allotted, called up and fully paid:

	2003		2002	
	Number	£	Number	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

The authorised share capital of the company was increased on 19 December 2003 to 250,000 ordinary shares of £1 each.

**16 Profit and loss account**

Group	2003	2002
	£	£
At 1 January 2003	1,087,036	395,297
Retained profit for the year	586,525	613,663
Exchange differences	79,731	78,076
At 31 December 2003	<u>1,753,292</u>	<u>1,087,036</u>

Company	2003	2002
	£	£
At 1 January 2003	2,736,330	1,952,826
Retained profit for the year	466,166	863,504
At 31 December 2003	<u>3,202,496</u>	<u>2,736,330</u>

**17 Reconciliation of movements in shareholders' funds**

	2003	2002
	£	£
Profit for the financial year	606,525	693,663
Dividends	(20,000)	(80,000)
Exchange differences	79,731	78,076
Net increase in shareholders' funds	<u>666,256</u>	<u>691,739</u>
Opening shareholders' equity funds	1,087,136	395,397
Closing shareholders' equity funds	<u>1,753,392</u>	<u>1,087,136</u>



**18 Net cash inflow from operating activities**

	2003 £	2002 £
Operating profit	791,731	1,121,940
Amortisation	47,254	(3,262)
Profit on disposal of tangible fixed asset	(1,560)	(53,641)
Depreciation	240,425	263,411
(Increase)/decrease in debtors	(293,797)	211,359
Decrease in creditors	(748,609)	(154,198)
Net cash inflow from operating activities	<u>35,444</u>	<u>1,385,609</u>

**19 Reconciliation of net cash flow from movement in net debt**

	2003 £	2002 £
(Decrease)/increase in cash in the year	(594,195)	777,048
Cash outflow/(inflow) from financing in the year	<u>39,321</u>	<u>(13,457)</u>
Change in net debt resulting from cash flows	(554,874)	763,591
Exchange movement	<u>(97,475)</u>	<u>28,371</u>
	<u>(652,349)</u>	<u>791,962</u>
Net debt at 1 January 2003	<u>(840,398)</u>	<u>(1,632,360)</u>
Net debt at 31 December 2003	<u>(1,492,747)</u>	<u>(840,398)</u>

**20 Analysis of changes in net debt**

	At 1 Jan 2003 £	Cash flows £	Exchange differences £	At 31 Dec 2003 £
Cash in hand and at bank	403,964	194,524	(97,475)	501,013
Overdrafts	(393,070)	(788,719)	—	(1,181,789)
	<u>10,894</u>	<u>(594,195)</u>	<u>(97,475)</u>	<u>(680,776)</u>
Debt due within one year	(128,898)	55,841	—	(73,057)
Debt due after one year	(722,394)	(16,520)	—	(738,914)
Total	<u>(840,398)</u>	<u>(554,875)</u>	<u>(97,475)</u>	<u>(1,492,747)</u>

**21 Acquisitions**

On 19 June 2003, the company acquired 1,030 ordinary shares of 10p each and 103 'A' ordinary shares of £1 each in Quaives Securities Limited, being 100% of its nominal share capital, for a consideration of £902,858. The company did not trade in the year.

Goodwill arising on the acquisition of Quaives Securities Limited has been capitalised. The purchase has been accounted for by the acquisition method of accounting.

**Consolidated financial statements for the year ended 31 December 2003**

By virtue of the purchase of Quaives Securities Limited, the company also acquired 5,000 ordinary shares of £1 each in Pilgrims Limited, being 100% of its nominal share capital.

The profit after taxation of Pilgrims Limited for the period from 1 January 2003, the beginning of the subsidiary's financial year to the date of acquisition was £331,339. The loss after taxation for the year ended 31 December 2002 was £6,490.

The assets and liabilities of the companies acquired were as follows:

	<b>Book value and fair value</b>
	<b>£</b>
Tangible fixed assets	44,290
Debtors	560,950
Bank and cash	546,638
Total assets	1,151,878
Trade creditors	(174,499)
Other creditors	(92,076)
Accruals	(860,955)
Total liabilities	(1,127,530)
Net assets acquired	24,348
Goodwill arising	878,510
	902,858
Consideration	
Satisfied by:	
Cash	782,858
Deferred consideration	120,000
Total consideration	902,858

The deferred consideration will fall due if the turnover of the company, in any twelve month period, exceeds £3,500,000. The payment date will be within seven working days of that date.

**22 Capital commitments**

The group and the company had no capital commitments at 31 December 2003 or 31 December 2002.

**23 Contingent liabilities**

In the normal course of business, the company has provided an unlimited guarantee as valuable security in connection with the banking facilities of various subsidiary undertakings. At 31 December 2003 the amount outstanding was £376,883 (2002: £343,152).

The group and the company had no other contingent liabilities at 31 December 2003.

At 31 December 2002 the group was negotiating with the Inland Revenue regarding tax relating to prior years. The directors could not estimate with any reasonable certainty the liability, if any, which may result. These negotiations were satisfactorily resolved during the year ended 31 December 2003.

**24 Pensions**

The group and company operates a defined contribution pension scheme. The assets of the scheme are administered by trustees in a fund independent from those of the group. The pension cost charge represents contributions payable by the group to the funds, and amounted to £nil (2002: £7,242). The Language School Company Limited continues to run its own defined contribution pension scheme independently of the group.

**25 Commitments under operating leases**

At 31 December 2003 the group had annual commitments under non-cancellable operating leases as set out below.

	2003		2002	
	Land and buildings £	Other items £	Land and buildings £	Other items £
Within one year	—	—	10,500	—
Within two to five years	126,949	3,910	—	1,784
After more than five years	357,958	8,701	313,000	—
	<u>484,907</u>	<u>12,611</u>	<u>323,500</u>	<u>1,784</u>

**26 Transactions with directors**

At 31 December 2003 the company owed £4,144 (2002: £7,953) to Mr T Gins, a director and majority shareholder in OISE Limited. During the year Mr T Gins owed amounts to the company. The maximum balance outstanding in the year was £25,344 (2002: £32,047).