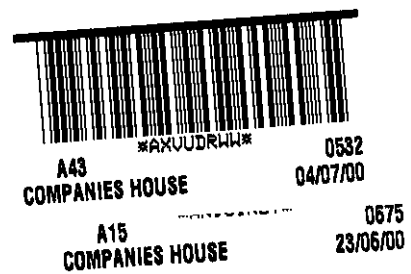


Company No. 1594513

TASIS UK LIMITED AND SUBSIDIARY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 1999



TASIS UK LIMITED AND SUBSIDIARY

DIRECTORS REPORT

The directors have pleasure to submit their annual report together with the audited financial statements for the year ended 30th June 1999.

PRINCIPAL ACTIVITY

The group's principal activity is the operation of an independent fee-paying school based in the UK, offering education under the American system. The company's principal activity is that of a holding company.

RESULTS AND DIVIDENDS

The group's results for the year are set out on page 4 and show a net profit for the year before taxation of £564,487 (1998 : profit £439,117 as re-stated). The directors consider the state of affairs of the group and the company to be satisfactory.

To maintain working capital requirements, the directors do not recommend the payment of a dividend.

FIXED ASSETS

Movements in tangible assets are given in note 9 to the financial statements.

DIRECTORS

The directors who served during the year were:

F L Gonzalez
L F Aeschlimann

None of the directors had any beneficial interest in the company during the year.

DIRECTORS' RESPONSIBILITIES

Company law 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 and of the profit or loss of the company for that period. In preparing those 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.

TASIS UK LIMITED AND SUBSIDIARY

DIRECTORS REPORT

(continued)

YEAR 2000 COMPLIANCE

The company has not encountered any problems so far relating to the Year 2000 issue. Given the complexity of the problem, no organisation can guarantee that no Year 2000 problems will remain, and other key dates such as 29 February 2000 could potentially lead to systems problems. However, the company's Year 2000 action plan involved reviewing the company's business and operations and the possibility of Year 2000 related failures in our significant suppliers and customers. The directors believe that the company is unlikely to encounter any problems. The cost of the remaining Year 2000 compliance work during the year ended 30th June 1999 was immaterial and no further costs are anticipated.

HOLDING COMPANY

Details of the holding company are shown in note 16 of the financial statements.

AUDITORS

A resolution to re-appoint Messrs Gibson Appleby in accordance with Section 384 of the Companies Act 1985 will be proposed at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD


M Ealey
Company secretary

AUDITORS REPORT TO THE MEMBERS OF

TASIS UK LIMITED AND SUBSIDIARY

We have audited the financial statements on pages 4 to 16 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on page 9.

Respective responsibilities of directors and auditors.

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion.

We conducted our audit in accordance with 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 group and company's affairs as at 30th June 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Gibson Appleby

21st June 2000

Gibson Appleby
Chartered Accountants and Registered Auditor
Blenheim House
120 Church Street
BRIGHTON
BN1 1AU

TASIS UK LIMITED AND SUBSIDIARY

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 30th June 1999

	Note	1999 £	1998 as re-stated £
TURNOVER		10,192,374	9,510,593
Direct costs		(5,902,138)	(5,740,413)
GROSS PROFIT		4,290,236	3,770,180
Administrative and Establishment expenses		(3,849,754)	(3,495,839)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		440,482	274,341
Interest receivable and similar income	4	124,469	165,636
Interest payable	5	(464)	(860)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	564,487	439,117
Tax on Profit on Ordinary Activities	6	(155,828)	(128,259)
PROFIT FOR THE FINANCIAL YEAR		408,659	310,858

Continuing Activities

None of the group's activities were acquired or discontinued during the above two financial years.

TASIS UK LIMITED AND SUBSIDIARY

STATEMENT OF RECOGNISED GAINS AND LOSSES

for the year ended 30th June 1999

		1999	1998
	Note	£	as re-stated £
Profit on ordinary activities for the year		408,659	310,858
Prior year adjustment	7	(23,109)	—
		-----	-----
Total profits recognised since last financial statements		385,550	310,858
		=====	=====

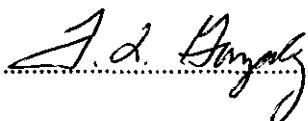
TASIS UK LIMITED AND SUBSIDIARY

BALANCE SHEET AT 30TH JUNE 1999

	Note	1999 £	1998 £
FIXED ASSETS			
Investments:			
Shares in group companies	8	10,000 -----	10,000 -----
TOTAL ASSETS		10,000 =====	10,000 =====
CAPITAL AND RESERVES			
Called up share capital	13	10,000 -----	10,000 -----
EQUITY SHAREHOLDERS FUNDS	15	10,000 =====	10,000 =====

Approved by the board

F L Gonzalez
Director



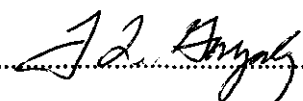
TASIS UK LIMITED AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET

as at 30th June 1999

	Note	1999		1998 as re-stated	
		£	£	£	£
FIXED ASSETS					
Tangible assets	9		611,318		504,582
CURRENT ASSETS					
Debtors	10	2,544,359		2,260,193	
Cash at bank and in hand		903,988		879,755	
		3,448,347		3,139,948	
CREDITORS : amounts falling due within one year					
	11	(3,120,062)		(3,113,586)	
NET CURRENT ASSETS					
			328,285		26,362
NET ASSETS					
			939,603		530,944
CAPITAL AND RESERVES					
Called up share capital	13		10,000		10,000
Profit and loss account	14		929,603		520,944
EQUITY SHAREHOLDERS FUNDS					
	15		939,603		530,044

Approved by the board 20 June 2000.

F L Gonzalez 
Director

TASIS UK LIMITED AND SUBSIDIARY

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30th June 1999

	1999	1998
	£	as re-stated £
NET CASH INFLOW FROM OPERATING ACTIVITIES	283,203	1,267,915
RETURNS ON INVESTMENT AND SERVICING OF FINANCE		
Interest received on amounts owed by related companies	70,000	80,000
Interest received on staff loans	3,633	955
Bank and deposit interest received	50,836	84,681
Interest paid	(464)	(860)
	-----	-----
NET CASH INFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE	124,005	164,776
TAXATION		
Corporation tax paid	(131,725)	5,473
	-----	-----
TAX PAID	(131,725)	5,473
INVESTING ACTIVITIES		
Purchase of tangible fixed assets	(191,989)	(212,443)
Proceeds from sales of fixed assets	900	1,050
	-----	-----
NET CASH OUTFLOW FOR CAPITAL EXPENDITURE	(191,089)	(211,393)
NET CASH INFLOW BEFORE FINANCING	84,394	1,226,771
FINANCING		
Increase in related company loans	(286,173)	(1,311,272)
	-----	-----
NET CASH OUTFLOW FROM FINANCING	(286,173)	(1,311,272)
DECREASE IN CASH	(201,779)	(84,501)
	=====	=====

TASIS UK LIMITED AND SUBSIDIARY

NOTES TO CONSOLIDATED CASHFLOW STATEMENT

for the year ended 30th June 1999

	1999	1998
	£	as re-stated £
1. Reconciliation of operating profit/(loss) to Net Cash inflow from Operating Activities		
Operating profit before interest	440,482	274,341
Depreciation charge	85,253	81,428
(Profit)/loss on sale of fixed assets	(900)	964
Exchange differences	(8,406)	(16,011)
Decrease/(increase) in debtors	2,007	(29,507)
(Decrease)/increase in creditors	(235,233)	956,700
	-----	-----
Net Cash inflow from Operating Activities	283,203	1,267,915
	=====	=====

2. Reconciliation of changes in net debt and cashflow

	At 1 July 1998	Cash Flows	Exchange Differences	At 30 June 1999
	£	£	£	£
Cash at bank and in hand	879,755	15,827	8,406	903,988
Bank overdrafts	(52,450)	(277,606)	-	(270,056)
	-----	-----	-----	-----
	827,305	(201,779)	8,406	633,932
	=====	=====	=====	=====

TASIS UK LIMITED AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30th June 1999

1. ACCOUNTING POLICIES

(a) Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with statements of Standard Accounting Practice, using the accounting policies as detailed below.

(b) Basis of consolidation

The consolidated financial statements incorporate the results of the company and its subsidiary. All intra-group transactions have been eliminated on consolidation.

(c) Turnover

Turnover represents the total amount of fees, including extras, receivable in respect of services provided to students during the year and excludes VAT.

Included in turnover is an amount of £2,162,013 (1998 : £2,001,300) which relates to boarding fees receivable, the accounting records of which are maintained by an overseas related company. These have not been subject to direct auditing procedures but confirmation has been received from the related company in connection with amounts receivable, and income has otherwise been globally confirmed by reference to numbers of students and standard fees charged.

In 1999, the Summer School income represents invoiced fees receivable, and direct costs incurred in connection with this programme of £534,000 have been included as expenditure. This represents a change in accounting policy as in previous years the Summer School income was stated net. The comparatives have also been amended to take into account this change in policy.

(d) Tangible fixed assets and depreciation

Depreciation is calculated on the reducing balance basis so as to write down the value of assets over their expected useful lives.

Furniture, fixtures and fittings	- 20% net book value per annum
Library and teaching equipment	- 20% net book value per annum
Office equipment	- 20% net book value per annum
Computer equipment	- 33% net book value per annum
Motor vehicles	- 25% net book value per annum
Freehold property	- see below

It is not considered appropriate to amortise freehold property. The property is a listed building and the company carries out regular refurbishment and maintenance in order to maintain the property to a high standard. In the circumstances, the directors consider that a depreciation policy would be misleading.

(e) Stock

No stock of stationery and paper is included as the cost is written off directly to the profit and loss account in the period in which the expenditure is incurred.

(f) Translation of foreign currencies into sterling

Assets and liabilities in other currencies are translated at rates of exchange ruling at the balance sheet date. Profit and loss account items in foreign currencies are translated at exchange rates relating to the transaction date. Exchange gains or losses are taken to the profit and loss account as and when they arise.

TASIS UK LIMITED AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30th June 1999

1. ACCOUNTING POLICIES (continued)

(g) Deferred Taxation

Provision for deferred tax is made under the liability method in respect of timing differences only where it is considered probable by the directors, that a tax liability will become payable within the foreseeable future.

(h) Pension costs

The company operates a money purchase pension scheme for eligible employees. Pension costs are charged against income and expenditure account in the period they are incurred.

(i) Leasing costs

Costs of assets held under operating leases are charged to income and expenditure account in the period they are incurred. No significant assets have been acquired under finance lease terms.

2. PROFIT ON ORDINARY ACTIVITIES

Profit on ordinary activities before taxation is stated after charging:

	1999 £	1998 as re-stated £
Depreciation of tangible fixed assets	85,253	81,428
(Profit)/loss on sale of fixed assets	(900)	964
Exchange gains	(8,406)	(16,011)
Auditors remuneration	28,154	20,615
Staff costs (note 3)	4,073,475	3,735,484
Exceptional item (a)	25,251	31,721
Other operating lease charges	72,066	67,491
	=====	=====

(a) The exceptional item comprises bad debts. Term fees are generally payable in advance and amounts outstanding at the end of the financial year, which also represents the end of the school year, where appropriate, have been fully provided against.

3. STAFF COSTS

(a) Particulars of staff costs and employees are shown below:

	1999 £	1998 £
Wages and salaries	3,653,074	3,335,747
Social security costs	327,037	295,676
Pension costs	132,314	104,061
	-----	-----
	4,112,425	3,735,484
	=====	=====

TASIS UK LIMITED AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30th June 1999

	1999	1998
3. STAFF COSTS (continued)		
	No.	No.
(b) STAFF NUMBERS		
The average number of employees during the year analysed by class or business is as follows:		
Housekeeping	24	21
Teaching	108	104
Administration	26	24
Maintenance	9	8
Promotion	9	9
Security	4	3
	-----	-----
	180	169
	=====	=====
	1999	1998
	£	£
(c) DIRECTORS		
Directors remuneration (included in 3(a) above)	28,187	27,094
Pension contributions	1,337	1,300
Benefits	645	651
	-----	-----
	30,169	29,045
	=====	=====
(d) PENSION CONTRIBUTIONS		
The company operates a money purchase scheme on behalf of teaching staff employed for over two years. Contributions made by the company amount to 5% (1998 : 5%) of gross salary, the costs of which are included in the above tables.		
	1999	1998
	£	£
4. INTEREST RECEIVABLE AND SIMILAR INCOME		
Interest on amounts owed by related companies	70,000	80,000
Bank deposit interest	50,836	84,681
Other interest	3,633	955
	-----	-----
	124,469	165,636
	=====	=====
5. INTEREST PAYABLE AND SIMILAR CHARGES		
Interest on bank overdrafts (repayable on demand)	170	104
Interest on tax paid late	294	756
	-----	-----
	464	860
	=====	=====

TASIS UK LIMITED AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30th June 1999

	1999 £	1998 £
6. TAXATION		
The tax charge comprises:		
U.K. Corporation tax payable at 30%/31%	183,983	133,732
Over provision in prior years	(28,155)	(5,473)
	-----	-----
	155,828	128,259
	=====	=====

7. PRIOR YEAR ADJUSTMENT

The 1998 financial statements did not include the capitalisation of £183,320 of catering equipment and the related loan creditor in error. As a result a prior year adjustment of £23,109 has arisen in the 1999 financial statements.

8. SHARES IN GROUP COMPANIES

The shares in group companies in the balance sheet of Tasis UK Limited, represents the cost of the whole of the issued share capital of Tasis The American School in England (previously Tasis England), an unlimited company, incorporated in England and Wales.

9. TANGIBLE FIXED ASSETS

	Freehold Buildings £	Fixtures and Fittings £	Furniture and Teaching Equipment £	Office Equipment £	Motor Vehicles £	Total £
COST						
At 1st July 1998	200,000	593,331	74,862	99,188	16,812	984,193
Additions	106,454	46,626	-	38,909	-	191,989
Disposals	-	(5,000)	-	-	-	(5,000)
	-----	-----	-----	-----	-----	-----
At 30th June 1999	306,454	634,957	74,862	138,097	16,812	1,171,182
	=====	=====	=====	=====	=====	=====
DEPRECIATION						
At 1st July 1998	-	329,383	67,978	67,323	14,927	479,611
Charge for the year	-	60,864	1,377	22,635	377	85,253
On disposals	-	(5,000)	-	-	-	(5,000)
	-----	-----	-----	-----	-----	-----
At 30th June 1999	-	385,247	69,355	89,958	15,304	559,864
	=====	=====	=====	=====	=====	=====
NET BOOK VALUE						
At 30th June 1999	306,454	249,710	5,507	48,139	1,508	611,318
	=====	=====	=====	=====	=====	=====
At 30th June 1998	200,000	263,948	6,884	31,865	1,885	504,582
	=====	=====	=====	=====	=====	=====

The freehold buildings are included in the financial statements at cost, which is not considered to be significantly different from current market value.

TASIS UK LIMITED AND SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30th June 1999

	1999	1998
	£	as re-stated £
10. DEBTORS		
Trade debtors	22,236	18,565
Amounts owed by related companies (b)	2,332,841	2,046,668
Other debtors (a)	37,513	60,482
Prepayments	151,769	134,478
	-----	-----
	2,544,359	2,260,193
	=====	=====

a) Other debtors includes staff loans of £22,514 (1998 : £30,444) which are recoverable after more than one year.

b) Amounts owed by related companies fluctuate on a day to day basis to take into account trading transactions. Although the amounts bear interest at commercial rates, there are no fixed terms relating to security or repayment.

11. CREDITORS : amounts falling due within one year:

Bank overdrafts (secured)	270,056	52,450
Trade creditors	299,085	408,562
Other taxation, social security and pension costs	195,990	181,147
Accruals and deferred income	2,044,531	2,167,930
Other creditors	152,565	169,765
Corporation Tax	157,835	133,732
	-----	-----
	3,120,062	3,113,586
	=====	=====

Amounts held on behalf of students amounting to £16,712 (1998 : £25,618) have been netted against separate bank accounts set up for this purpose. These amounts have therefore, been excluded from the financial statements.

12. PROVISION FOR LIABILITIES AND CHARGES

The potential amount of deferred taxation relating to timing differences between accounting and tax written down values of tangible fixed assets, amounts to £26,804 (1998 : £10,301). No provision has been included in the financial statements as these timing differences are not expected to reverse in the foreseeable future.

TASIS UK LIMITED AND SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30th June 1999

	1999 £	1998 £
13. SHARE CAPITAL		
Authorised, issued and fully paid: 10,000 ordinary shares of £1 each	10,000 =====	10,000 =====
14. PROFIT AND LOSS ACCOUNT		
As at 1st July 1998 as previously stated	544,053	210,086
Prior year adjustment (see note 7)	(23,109) -----	- -----
As at 1st July 1998, as re-stated	520,944	210,086
Retained profit for the year	408,659 -----	310,858 -----
As at 30th June 1999	929,603 =====	520,944 =====

The company has relied on the statutory dispensation provided by section 228(7) CA 1985 not to publish a separate profit and loss account. The company was dormant throughout the period and therefore the profit dealt with in the books of the holding company is £Nil.

15. SHAREHOLDERS FUNDS		
Net profit for the year	408,659 -----	310,858 -----
Net addition to shareholders funds	408,659	310,858
Opening shareholders funds (originally £554,053 before deducting a prior year adjustment of £23,109)	530,944 -----	220,086 -----
Closing shareholders funds	916,494 =====	530,944 =====

16. HOLDING COMPANY

The company's holding company is Carona Trust, a trust registered in Liechtenstein. The ultimate control of the trust is not known.

17. CONTINGENT LIABILITIES AND GAINS

- (a) Negotiations are currently ongoing with the Inland Revenue in connection with service charges paid to a related company, by the subsidiary company, and corporation tax liabilities for earlier years have not yet been agreed. The directors however, consider that any subsequent adjustments are not material to these accounts.
- (b) Tasis, the American School in England, the subsidiary company, is currently in discussion with its supplier of catering equipment in respect of a claim for inefficient service. The company currently owes the supplier £152,565 which was originally scheduled to be repaid over a five year period. The company expects to receive compensation in excess of this amount and it has therefore been treated as a short term creditor in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30th June 1999

18. FINANCIAL COMMITMENTS

During 1996, Tasis The American School in England, the subsidiary company, renewed its lease in respect of the school premises for a further 12 years at an annual rent of £165,000.

Commitments under other operating leases, not relating to land and buildings.

	1999 £	1998 £
Expiring in less than one year	35,178	-
Expiring between two and five years	36,888	61,435
Expiring after more than five years	-	10,631
	-----	-----
	72,066	72,066
	=====	=====

19. RELATED PARTY TRANSACTIONS

In addition to the balances disclosed in notes 10 and 11 to the financial statements, the group has also entered into the following related party transactions during the year.

- a) Tasis The American School England, leases the school premises from Mikron for £165,000 per annum. During the year, and in accordance with the terms of the lease agreement, Mikron re-imbursed Tasis The American School in England £551,906 (1998 : £164,990) for buildings work and improvements which had been undertaken at the school.
- b) During the year, Tasis The American School in England received £70,000 (1998 : £80,000) from Mikron being interest due on the inter company loan as referred to in note 10.
- c) A service charge of £1,304,556 (1998 : £1,167,759) was paid to ACE, a related company, during the year for administration expenses undertaken by the company, including the administration of the boarding income.