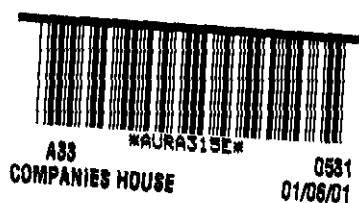


European Business School Educational
Trust Limited

REPORT AND FINANCIAL STATEMENTS

31 August 2000



European Business School Educational Trust Limited

COUNCILLORS AND OFFICERS

COUNCILLORS

Y Makar
J Dorgan
Revd Dr J Davies

SECRETARY

WM Hughes

REGISTERED OFFICE

Inner Circle
Regents Park
London NW1 4NS

AUDITORS

Baker Tilly
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

European Business School Educational Trust Limited

COUNCILLORS' REPORT

The councillors submit their report and the financial statements of European Business School Educational Trust Limited for the year ended 31 August 2000.

PRINCIPAL ACTIVITIES

The European Business School is a higher education institution committed to the development and provision of high quality teaching in international business and management.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Council of Management are pleased to report another successful year for the European Business School Educational Trust with fee income increasing from £5,338,874 to £5,603,528. The surplus for the year was £817,417 an increase of £28,627.

The out look for the current year is encouraging with the schools' graduates pursuing successful careers in wide areas of business or continuing with post graduate study. The Academic Director of the school, Professor Eric De La Croix, retired in August 2000 and Dr Michael Scriven was appointed in his place from September 2000.

The Council of Management would like to thank all staff of the European Business School for their hard work during the year and look forward to its continued success in the future.

DIVIDENDS

Under the terms of the company's Memorandum and Articles of Association the company is prohibited from paying a dividend.

COUNCILLORS

The following councillors have held office since 1 September 1999:

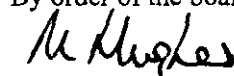
BE Widmer	(resigned 8 August 2000)
Y Makar	
J Dorgan	
M Maladwala	(resigned 2 February 2000)
Revd Dr J Davies	(appointed 10 August 2000)

No councillor had any interest as defined by the Companies Act in the shares of the company at either 31 August 1999 or 31 August 2000.

AUDITORS

A resolution to reappoint Baker Tilly, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

By order of the board


WM Hughes
Secretary

European Business School Educational Trust Limited

COUNCILLORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

Company law requires the councillors 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 councillors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The councillors 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 requirements of 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.

AUDITORS' REPORT TO THE MEMBERS OF EUROPEAN BUSINESS SCHOOL EDUCATIONAL TRUST LIMITED

We have audited the financial statements on pages 5 to 16 which have been prepared under the historical cost convention and the accounting policies as set out on page 8.

Respective responsibilities of councillors and auditors

As described on page 3 the councillors 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 councillors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 August 2000 and of its incoming resources and application of resources, including its income and expenditure, in the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Registered Auditors
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

21st March 2001

European Business School Educational Trust Limited
STATEMENT OF FINANCIAL ACTIVITIES
for the year ended 31 August 2000

	<i>Notes</i>	2000 £	1999 £
INCOME AND EXPENDITURE ACCOUNT			
INCOMING RESOURCES			
Fees		5,602,463	5,338,874
Donations		1,000	(114,188)
Investment income		277,537	466,251
Other		70,306	65,208
		<u>5,951,306</u>	<u>5,756,145</u>
RESOURCES EXPENDED			
Direct charitable expenditure	3	3,939,520	3,728,577
Fundraising and publicity	4	354,084	334,981
Management and administration of the charity	5	959,897	924,789
		<u>5,253,501</u>	<u>4,988,347</u>
NET INCOMING RESOURCES FOR THE YEAR	6	697,805	767,798
OTHER RECOGNISED GAINS AND LOSSES			
Gain on investments – realised		10,913	-
NET INCOME FOR THE YEAR		<u>708,718</u>	<u>767,798</u>
Gain on investments - unrealised		108,699	20,992
NET MOVEMENT IN FUNDS		<u>817,417</u>	<u>788,790</u>
Balance brought forward 1 September 1999		3,392,120	2,603,330
Balance carried forward 31 August 2000		<u>4,209,537</u>	<u>3,392,120</u>

There are no recognised gains or losses other those shown above.

All funds are unrestricted funds.

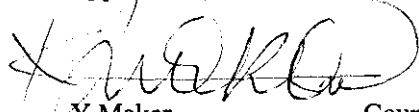
European Business School Educational Trust Limited

BALANCE SHEET

31 August 2000

	Notes	2000 £	1999 £
FIXED ASSETS			
Intangible assets	9	320,612	347,706
Tangible assets	10	296,726	259,220
Investments	11	2,204,420	2,036,126
		<u>2,821,758</u>	<u>2,643,052</u>
CURRENT ASSETS			
Debtors	12	504,117	438,828
Cash at bank and in hand		4,222,116	3,854,063
		<u>4,726,233</u>	<u>4,292,891</u>
CREDITORS: Amounts falling due within one year	13	(3,338,454)	(3,543,823)
NET CURRENT ASSETS		<u>1,387,779</u>	<u>749,068</u>
		<u>4,209,537</u>	<u>3,392,120</u>
CAPITAL AND RESERVES			
Reserves	15	4,209,537	3,392,120

Approved by the board on 21 March 2001



Y Makar

Councillor

European Business School Educational Trust Limited

CASH FLOW STATEMENT

31 August 2000

	<i>Notes</i>	2000 £	1999 £
Cash flow from operating activities	16a	341,809	972,005
Returns on investments and servicing of finance	16b	278,537	352,063
Capital expenditure and financial investments	16c	(252,293)	(2,199,178)
INCREASE/(DECREASE) IN THE YEAR		<u>368,053</u>	<u>(875,110)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN DEBT

	2000 £
Increase in cash in the year	368,053
Net funds at 31 August 1999	3,854,063
Net funds at 31 August 2000	<u>4,222,116</u>

European Business School Educational Trust Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention modified to include the revaluation of fixed asset investments and in accordance with the Statement of Recommended Practice 'Accounting by Charities'.

INTANGIBLE FIXED ASSETS

Intangible fixed assets represent goodwill incurred as a consequence of the acquisition of the business of European Business School (UK) Limited. Amortisation has been provided at 5% per annum so as to write off the asset over its anticipated useful life.

TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Fixtures and fittings	3 - 10 years
Computer and office equipment	3 - 5 years

DEFERRED TAXATION

Provision is made for taxation deferred or accelerated by the effect of timing differences, to the extent that it is probable that a liability will crystallise, at the rate expected to be ruling at that date.

FOREIGN CURRENCY

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

TURNOVER

Fees receivable from students are accounted for on the accruals basis.

DONATIONS

Donations are accounted for when received, as the councillors consider this to be a more prudent approach than anticipating donations under the accruals concept.

DIRECT CHARITABLE EXPENDITURE

Direct charitable expenditure comprises all expenditure directly relating to the objects of the charity.

PENSIONS

The company operates a defined contribution scheme in respect of certain of its employees. Contributions are charged in the accounts as incurred and there were no outstanding or proposed contributions as at the balance sheet date.

European Business School Educational Trust Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2000

1 TURNOVER AND NET INCOMING RESOURCES

The company's turnover and net incoming resources were all derived from its principal activity. All sales were made in the United Kingdom.

	2000 £	1999 £
2 OTHER INCOME		
Sundry income	1,625	3,187
Room hire	68,681	62,021
Interest receivable	236,717	259,074
Donations received	1,000	(114,188)
Dividends receivable	40,820	207,177
	<u>348,843</u>	<u>417,271</u>

	<i>Total funds</i> 2000 £	<i>Total funds</i> 1999 £
3 DIRECT CHARITABLE EXPENDITURE		
Books and library costs	150,268	144,490
External teaching costs	391,903	378,429
Salaries	1,770,435	1,670,526
Employers national insurance contributions	169,300	162,054
Academic contractors	34,790	32,870
Pension	75,290	73,854
Recruitment	16,557	21,150
Training and development	38,393	31,054
Rent and service charge	855,118	834,937
Rates	33,573	31,996
Insurance	10,332	13,437
Repairs and renewals	13,419	12,311
Printing, postage and stationery	59,068	55,004
Computer expense	258,743	213,781
Travelling expense	62,331	52,684
	<u>3,939,520</u>	<u>3,728,577</u>

	<i>Total funds</i> 2000 £	<i>Total funds</i> 1999 £
4 FUNDRAISING AND PUBLISHING		
Advertising and marketing	<u>354,084</u>	<u>334,981</u>

European Business School Educational Trust Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2000

5	MANAGEMENT AND ADMINISTRATION OF THE CHARITY	<i>Total funds</i> 2000	<i>Total funds</i> 1999
		£	£
	Hire of equipment	68	205
	Hospitality and catering	33,656	29,268
	Accountancy	72,286	61,500
	Audit fees	7,659	7,044
	Legal and professional fee	19,609	15,465
	Sundry expense	3,203	4,576
	Management charge	472,560	459,562
	Bad debts	13,141	55,833
	Non recoverable value added tax	40,626	41,397
	Subscriptions	21,260	21,078
	Deferred consideration	-	1,436
	Bank charges	5,699	5,179
	Depreciation and amortisation	193,199	146,688
	Commission – other	130	700
	Exchange gains	(1,060)	-
	Graduation costs	62,122	60,714
	Telephone expense	15,739	14,144
		<u>959,897</u>	<u>924,789</u>
6	NET INCOMING RESOURCES	2000	1999
		£	£
	Net incoming resources are stated after charging:		
	Auditors' remuneration	7,659	7,044
	Depreciation	166,105	119,594
	Amortisation	27,094	27,094
	Exchange gains	(1,060)	-
		<u></u>	<u></u>
7	EMPLOYEES	2000	1999
		No.	No.
	The average monthly number of persons (excluding councillors) employed by the company during the year was:		
	Office and management	27	24
	Teaching	74	64
		<u>101</u>	<u>88</u>

European Business School Educational Trust Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2000

7	EMPLOYEES (<i>continued</i>)	2000 £	1999 £
	Staff costs for the above persons:		
	Wages and salaries	1,770,435	1,670,526
	Social security costs	169,300	162,054
	Other pension costs	75,290	73,854
		<u>2,015,025</u>	<u>1,906,434</u>

No remuneration was paid to the councillors during the year.

8 TAXATION

The company is a registered charity and is therefore exempt from the provisions of the Income and Corporation Taxes Act 1988.

9	INTANGIBLE FIXED ASSETS	Goodwill £
	Cost	
	1 September 1999 and 31 August 2000	433,503
	Amortisation	
	1 September 1999	85,797
	Charged in the year	27,094
	31 August 2000	<u>112,891</u>
	Net book value	
	31 August 2000	<u>320,612</u>
	31 August 1999	<u>347,706</u>

European Business School Educational Trust Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2000

10 TANGIBLE FIXED ASSETS

	<i>Fixtures and fittings £</i>	<i>Computer and office equipment £</i>	<i>Total £</i>
Cost			
1 September 1999	152,036	570,686	722,722
Additions	42,018	161,593	203,611
31 August 2000	<u>194,054</u>	<u>732,279</u>	<u>926,333</u>
Depreciation			
1 September 1999	89,098	374,404	463,502
Charged in the year	10,491	155,614	166,105
31 August 2000	<u>99,589</u>	<u>530,018</u>	<u>629,607</u>
Net book value			
31 August 2000	<u>94,465</u>	<u>202,261</u>	<u>296,726</u>
31 August 1999	<u>62,938</u>	<u>196,282</u>	<u>259,220</u>

11 INVESTMENTS

Market value at 1 September 1999	2,036,116
Less: Disposals at opening book value (proceeds £72,323; profit £10,913)	(61,410)
Add: Acquisitions at cost	121,005
Net gains on revaluation 31 August 2000	108,699
Market value at 31 August 2000	<u>2,204,410</u>

	<i>Quoted investments £</i>	<i>Cash deposits £</i>	<i>Total £</i>
Investment assets in the UK	1,799,888	123,671	1,923,559
Investment assets outside the UK	280,851	-	280,851
31 August 2000	<u>2,080,739</u>	<u>123,671</u>	<u>2,204,410</u>
Market value:			
31 August 2000	<u>2,080,739</u>	<u>123,671</u>	<u>2,204,410</u>
31 August 1999	<u>1,912,746</u>	<u>123,370</u>	<u>2,036,116</u>
Historical cost of the above investments was:			
31 August 2000	<u>1,951,048</u>	<u>123,671</u>	<u>2,074,719</u>
31 August 1999	<u>1,891,754</u>	<u>123,370</u>	<u>2,015,124</u>

Cash deposits represent funds realised from the sale of shares pending reinvestment.

European Business School Educational Trust Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2000

11	INVESTMENTS (<i>continued</i>)	2000 £	1999 £
	Fixed Assets Investments (MV)	2,204,410	2,036,116
	Investments in subsidiary undertakings	10	10
		<u>2,204,420</u>	<u>2,036,126</u>

The school holds more than 10% of the equity of the following company at the balance sheet date:

<i>Name of company</i>	<i>Holding</i>	<i>Proportion held</i>	<i>Nature of business</i>
European Business School (London) Limited	10 shares	100%	Dormant

The aggregate amount of the subsidiary's share capital and reserves at the end of its financial year and its profit or loss for that year were as follows:

<i>Name of company</i>	<i>Result after tax 2000</i> £	<i>Aggregate amount of its share capital and reserves 2000</i> £	<i>Result after tax 1999</i> £	<i>Aggregate amount of its share capital and reserves 1999</i> £
European Business School (London) Limited	(573)	606	125,174	1,179

The accounts of the company's subsidiary undertaking have not been consolidated with those of the company as the directors consider that the amounts involved are not material.

12	DEBTORS	2000 £	1999 £
	Due within one year:		
	Trade debtors	258,201	101,832
	Other debtors	44,022	230,635
	Prepayments and accrued income	201,894	106,361
		<u>504,117</u>	<u>438,828</u>

European Business School Educational Trust Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2000

	2000 £	1999 £
13 CREDITORS: Amounts falling due within one year		
Trade creditors	23,388	40,048
Amounts owed to group undertakings	606	192,008
Other taxation and social security costs	48,329	38,531
Other creditors	462,966	324,767
Accruals and deferred income	2,803,165	2,948,469
	<u>3,338,454</u>	<u>3,543,823</u>
14 SHARE CAPITAL		
The company is limited by guarantee. In the event of a winding up order, governors are obliged to contribute such sums as are necessary to ensure that the company is able to settle its liabilities subject to a maximum contribution of £1 per governor.		
15 RESERVES	2000 £	1999 £
1 September 1999	3,392,120	2,603,330
Surplus for the year	817,417	788,790
31 August 2000	<u>4,209,537</u>	<u>3,392,120</u>
16 CASH FLOWS	2000 £	1999 £
a Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	419,268	415,735
Depreciation	166,105	119,594
Amortisation	27,094	27,094
Increase in debtors	(65,289)	(71,306)
(Decrease)/increase in creditors	(205,369)	480,888
Net cash flow from operating activities	<u>341,809</u>	<u>972,005</u>
	2000 £	1999 £
b Returns on investments and servicing of finance		
Bank interest receivable	236,717	259,074
Dividends receivable	40,820	207,177
Donations receivable	1,000	(114,188)
	<u>278,537</u>	<u>352,063</u>

European Business School Educational Trust Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2000

16	CASH FLOWS (<i>continued</i>)	2000	1999
		£	£
c	Capital expenditure and financial investment		
	Payments to acquire tangible fixed assets	(203,611)	(184,054)
	Fixed asset investments acquired	(121,005)	(2,015,124)
	Proceeds from sale of fixed asset investment	72,323	-
		<u>(252,293)</u>	<u>(2,199,178)</u>

		At		At
		31 August		31 August
		1999	Cash flow	2000
c	Analysis of net debt	£	£	£
	Cash in hand, at bank	3,854,063	368,053	4,222,116
		<u> </u>	<u> </u>	<u> </u>

17 RELATED PARTY TRANSACTIONS

The following related party transactions took place during the year:

<i>Party</i>	<i>Relation- ship</i>	<i>Description of transaction</i>	<i>Value of transaction £</i>	<i>Year end debtor/ (creditor) balance £</i>
European Business School Management Services Limited	(i)	Management charge	361,563	(271,238)
Regent's College	(ii)	Rent and service charges	1,828,281	(41,151)
Regent's College Conference Centre Limited	(ii)	Commissions for use of facilities Provision of conference facilities	62,284 49,955	(2,786)
College Bookshop Limited	(iii)	Provision of educational books	2,127	(159)
Regent's College of Psycho- therapy and Counselling Limited	(ii)	-	-	(54)
News World Graduate School Limited	(iii)	Transfer of assets	3,445	(3,445)
Regent's Business School Limited	(iii)	-	-	731
Regent's International Study Centre London Limited	(iii)	Provision of short course facilities	12,336	(13,836)
College Management Services Limited	(iii)	Careers and placement charges	12,000	(96,226)
European Business School London Limited	(iv)	-	-	(606)

European Business School Educational Trust Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2000

17 RELATED PARTY TRANSACTIONS (*continued*)

- (i) European Business School Management Services Limited is a company in which Mrs G M Payne, a guarantor of European Business School Educational Trust Limited, has an interest.
- (ii) Mrs G M Payne is involved in the management of Regent's College, a registered charity and is a director of Regent's College Conference Centre Limited and Regent's College School of Psychotherapy and Counselling Limited.
- (iii) Mrs G M Payne is involved in the management of European Business School Educational Trust Limited and is a director of:

- College Bookshop Limited
- News World Graduate School Limited
- Regent's Business School Limited
- Regent's International Study Centre London Limited
- College Management Services Limited

- (iv) European Business School Educational Trust Limited is the parent company.