

COMPANY NUMBER: 2699580

EUROPEAN BUSINESS SCHOOL (LONDON) LIMITED

FINANCIAL STATEMENTS

PERIOD ENDED 31ST AUGUST 1993



EUROPEAN BUSINESS SCHOOL (LONDON) LIMITED

FINANCIAL STATEMENTS

PERIOD ENDED 31ST AUGUST 1993

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EUROPEAN BUSINESS SCHOOL (LONDON) LIMITED

DIRECTORS' REPORT

PERIOD ENDED 31ST AUGUST 1993

DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the period ended 31st August 1993.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period 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:

- a) select suitable accounting policies and then apply them consistently;
- b) make judgments 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;
- d) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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.

DIRECTORS

Mr M J Payne - Chairman
Mr I Gillespie
Professor M Jones
Mr D J Langham
Mrs G M Payne (appointed 16th December 1992, resigned 18th May 1993)

The directors regret to note the death of Mr D Langham on 21st October 1993.

No director had any interest in the shares of the company.

PRINCIPAL ACTIVITIES

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

The European Business School offers four degree programmes which are studied on a modular basis validated by Open University as follows:

- a. The BA (Hons) in European Business Administration, a four year course requiring two of the following four languages: French, German, Italian or Spanish. A period of 48 weeks of work experience is required some of which must be spent in the countries of the languages of study.

EUROPEAN BUSINESS SCHOOL (LONDON) LIMITED

DIRECTORS' REPORT (CONTINUED)

PERIOD ENDED 31ST AUGUST 1993

PRINCIPAL ACTIVITIES (CONTINUED)

- b. BA (Hons) in International Business Studies. This is also a four year course, but requires only one language, from a wider choice of options - French, German, Italian, Spanish, Japanese or Russian. A period of 48 weeks of work experience is required some of which must be spent in the country of the language of study.
- c. The BA (Hons) in Business Administration and Language Studies is a four year course requiring three languages from a choice of French, German, Italian, Spanish, Japanese or Russian. A period of 48 weeks of work experience is required some of which must be spent in the countries of the languages of study.
- d. The BA (Hons) in International Business Administration is a three year non-sandwich course, requiring no languages or work experience.

BUSINESS REVIEW AND DEVELOPMENT

On the 24th April 1992 your company acquired the educational business and took over the assets and short term liabilities of the European Business School (UK) Limited.

The period has been an exceptionally good one, and although an excess of expenditure over income has been reported, the loss was significantly less than that budgeted at the start of the 1992/93 academic year. This favourable outcome was achieved through very tight cost control.

A major investment was made during the period in three new degree programmes. These were successfully validated by Open University during the Spring of 1993 and launched into the market for September 1993. They have been enthusiastically received.

The 1992/93 academic year saw a further increase in student numbers which has been followed through into the 1993/94 academic year.

As a result of being able to offer a validated programme, along with an increase in student enquiries, your directors felt sufficiently confident to increase the tuition price for the 1993/94 academic year. As a result of the UK leaving the exchange rate mechanism, the majority of our students did not, in real terms, suffer the full amount of the price increase.

The price increase together with increased student numbers for the 1993/94 academic year, indicates that a modestly healthy surplus will be generated in the year to 31st August 1994.

Major extensions to the computer laboratories and open access computer rooms, together with major investments over a three year period in the new business library have been authorised subsequent to 31st August 1993.

The Directors look forward to the future with a marked degree of optimism and would thank all members of staff of the European Business School for their hard work and dedication during the year.

EUROPEAN BUSINESS SCHOOL (LONDON) LIMITED

DIRECTORS' REPORT (continued)

PERIOD ENDED 31ST AUGUST 1993

RESULTS AND DIVIDENDS

The loss for the period after taxation, amounted to £448,300 and is dealt with as on page 5.

FIXED ASSETS

Details of changes in fixed assets are as set out in note 9 to the financial statements.

AUDITORS

In accordance with Section 385 of the Companies Act 1985, a resolution proposing the re-appointment of Casson Beckman, chartered accounts, as auditors to the company will be put to the annual general meeting.

BY ORDER OF THE BOARD



M HUGHES
Secretary

DATED: 22ND DECEMBER 1993

AUDITORS' REPORT TO THE MEMBERS OF EUROPEAN BUSINESS SCHOOL (LONDON) LIMITED

We have audited the financial statements on pages 5 to 12 which have been prepared under the historical cost convention and the accounting policies as set on page 8.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

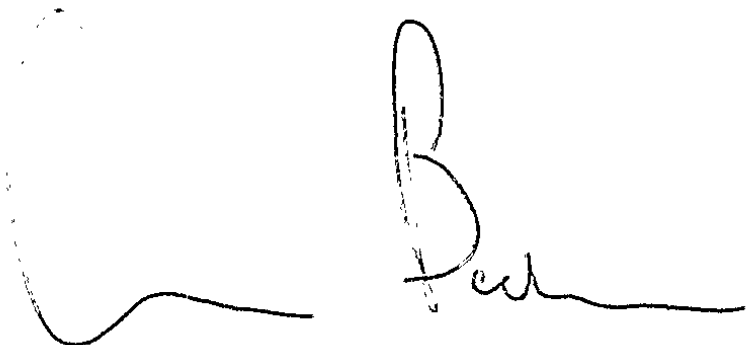
BASIS OF OPINION

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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, are consistently applied and are 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 31st August 1993 and of the loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'Casson Beckman', with a large, stylized initial 'C' and a long horizontal stroke at the end.

CASSON BECKMAN
Chartered Accountants
and Registered Auditor
London

DATED: 22ND DECEMBER 1993

EUROPEAN BUSINESS SCHOOL (LONDON) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 31ST AUGUST 1993

	Notes	16 months ended 31st August <u>1993</u> £
Turnover	2	2,623,285
Other operating income	3	130,799
Administrative expenses	4	(3,166,646)
		<hr/>
Operating loss		(412,562)
Interest payable	5	(35,738)
		<hr/>
Loss on ordinary activities before taxation		(448,300)
Tax on ordinary activities	7	-
		<hr/>
Loss for the period	13	£(448,300) =====

There are no recognised gains or losses other than those passing through the profit and loss account for the period.

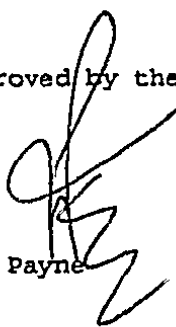
EUROPEAN BUSINESS SCHOOL (LONDON) LIMITED

BALANCE SHEET

AS AT 31ST AUGUST 1993

	<u>Notes</u>	<u>1993</u>	
		£	£
Fixed assets			
Intangible assets	8		601,773
Tangible assets	9		478,870
			<hr/>
			1,080,643
Current assets			
Debtors	10	192,454	
Cash at bank and in hand		175,548	
		<hr/>	
		368,002	
Creditors: Amounts falling due within one year	11	(1,896,943)	
		<hr/>	
Net current liabilities			(1,528,941)
			<hr/>
			£ (448,298)
			=====
Capital and reserves			
Called up share capital	12		2
Profit and loss account	13		(448,300)
			<hr/>
			£ (448,298)
			=====

Approved by the board on 22nd December 1993.


M J Payne

EUROPEAN BUSINESS SCHOOL (LONDON) LIMITED

CASH FLOW STATEMENT

FOR THE PERIOD ENDED 31ST AUGUST 1993

	<u>Notes</u>	<u>1993</u>	<u>1993</u>
Net cash inflow from operating activities	14		1,395,236
Returns on investments and servicing of finance			
Interest received		17,503	
Interest paid		(35,738)	
			(18,936)
Investing Activities			
Payments to acquire intangible fixed assets		(633,159)	
Payments to acquire tangible fixed assets		(568,295)	
			(1,201,454)
			174,846
Net cash inflow before financing			
Financing			
Issue of ordinary share capital			2
Increase in cash and cash equivalents	14		£175,548
			=====

EUROPEAN BUSINESS SCHOOL (LONDON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST AUGUST 1993

.. Accounting policies

i. Going concern

The accounts have been prepared under the going concern basis as, in the opinion of the directors the company will have sufficient funding facilities to ensure its continuing operation.

ii. Basis of accounting

The accounts have been prepared under the historical cost convention and cover the sixteen month period from incorporation to 31st August 1993. As this is the company's first period of trading no comparative figures are shown in these accounts.

iii. Turnover

Turnover represents the fees receivable for services provided.

iv. 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.

v. Depreciation of tangible fixed assets

Depreciation is provided on all tangible fixed assets so as to write them off over their anticipated useful lives on a straight line basis as follows:

Leasehold improvements	-	over the period of lease
Fixtures and fittings	-	10 years
Office equipment	-	4 - 5 years

vi. Foreign currencies

Assets and liabilities expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated at the rate ruling at the date of the transaction. Differences arising are taken direct to the profit and loss account.

vii. Leasing and hire purchase contracts

Assets being acquired under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their anticipated useful lives. The obligations to make future rental payments, net of future finance charges is recognised as a liability in the balance sheet. The interest element of the lease and hire purchase payments are charged to the profit and loss account at a constant rate over the period of the agreement.

Rentals under operating leases are charged to profit and loss account as incurred.

viii. Deferred taxation

Deferred taxation is calculated by the liability method and provision is made to the extent that it is probable that such tax will become payable in the foreseeable future.

EUROPEAN BUSINESS SCHOOL (LONDON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST AUGUST 1993

2. Turnover and loss

The turnover and loss on ordinary activities derives from the same class of business as noted in the directors' report. The turnover was made in the same geographical area.

3. Other income

	<u>1993</u>
	£
Sundry income	68,486
Room hire	40,420
Exchange gain	4,382
Interest receivable	17,502
	<u>£130,799</u>
	=====

4. Administrative expenses

	<u>1993</u>
	£
Administrative expenses include:	
Hire of plant	96,350
Auditors' remuneration	5,948
Depreciation	120,811
	=====

5. Interest payable

	<u>1993</u>
On other loans wholly repayable within 5 years	£35,738
	=====

6. Employees and directors

	<u>1993</u>
Staff costs including executive directors during the period amounted to:	
	£
Wages and salaries	1,177,038
Social security costs	121,812
Other pension costs	3,082
	<u>£1,301,932</u>
	=====

The average number of persons employed by the company during the year was as follows:

	<u>No.</u>
Office and management	22
Teaching	39
	<u>61</u>
	=====

The emoluments excluding pension contributions, of the chairman amounted to £Nil and those of the highest paid director amounted to £45,000.

The individual emoluments, excluding pension contributions, of all other directors who served during the period fell into the following brackets:

	<u>No.</u>
£ Nil - £ 5,000	1
£15,001 - £20,000	1
£35,001 - £40,000	1
	=====

EUROPEAN BUSINESS SCHOOL (LONDON) LIMITED

NOTES TO THE ACCOUNTS

FOR THE PERIOD ENDED 31ST AUGUST 1993

7. Tax on loss on ordinary activities

No liability to UK corporation tax arises on the results for the period.

8. Intangible fixed assets

<u>Cost</u>	<u>Goodwill</u>
Addition	£633,159
	=====
<u>Depreciation</u>	
Charge for the period	31,386
At 31st August 1993	£31,386
	=====
<u>Net book value</u>	
At 31st August 1993	£601,773
	=====

9. Tangible fixed assets

	<u>Improvements to leasehold property</u>	<u>Fixtures and fittings</u>	<u>Office equipment</u>	<u>Total</u>
	£	£	£	£
<u>Cost</u>				
Additions	395,683	60,342	112,270	568,295
At 31st August 1993	£395,683	£60,342	£112,270	£568,295
	=====	=====	=====	=====
<u>Depreciation</u>				
Charge for the period	35,496	11,849	42,080	89,425
At 31st August 1993	£35,496	£11,849	£42,080	£89,425
	=====	=====	=====	=====
<u>Net book value</u>				
At 31st August 1993	£360,187	£48,493	£70,190	£478,870
	=====	=====	=====	=====

EUROPEAN BUSINESS SCHOOL (LONDON) LIMITED

NOTES TO THE ACCOUNTS

FOR THE PERIOD ENDED 31ST AUGUST 1993

10. Debtors	1993 £
Trade debtors	124,526
Other debtors	32,607
Prepayments and accrued income	35,321
	<u>£192,454</u>
	=====

£19,240 of other debtors are due in over 12 months. All other debtors are due in less than 12 months.

11. Creditors: Amounts falling due within one year	1993 £
Trade creditors	171,718
Taxes and social security costs	275,336
Other creditors	438,117
Accruals and deferred income	1,011,772
	<u>£1,896,943</u>
	=====

Other creditors amounting to £279,000 are secured by a fixed and floating charge over the assets of the company.

12. Called up share capital	1993
Authorised:	
100 ordinary shares of £1 each	£100
	=====
Allotted and fully paid:	
Ordinary shares of £1 each	£ 2
	=====

During the period two ordinary shares of £1 each were issued and fully paid.

13. Reserves and reconciliations of movements in shareholders funds			
	Shares capital £	Profit and loss account £	Total £
Opening shareholders funds	-	-	-
Shares allotted during the period	2	-	2
Loss for the year	-	(448,300)	(448,300)
	<u>£ 2</u>	<u>£(448,300)</u>	<u>£(448,298)</u>
	=====	=====	=====

EUROPEAN BUSINESS SCHOOL (LONDON) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST AUGUST 1993

14. Notes to the cashflow statement

Reconciliation of operating profit to net cash inflow from operating activities:

	<u>1993</u>
	£
Operating loss	(412,562)
Depreciation	120,811
Interest received	(17,502)
Increase in debtors	(192,454)
Increase in creditors	1,896,943
Net cash inflow from operating activities	<u>£1,395,236</u>
	=====

Analysis of changes in cash and cash equivalents during the year:

Net cash inflow	175,548
Balance at 31st August 1993	<u>£175,548</u>
	=====

Analysis of changes in cash and cash equivalents as shown in the balance sheet:

	<u>1993</u>	<u>Change</u> <u>in period</u>
Cash at bank and in hand	£175,548	£175,548
	=====	=====

15. Commitments

The annual commitments in respect of operating leases are shown below, analysed according to the expiry date of the leases.

	<u>1993</u>
	£
Plant and machinery	
Expiry date:	
Within one year	32,308
Between one and five years	1,838
	<u>£34,146</u>
	=====
Land and buildings	
Expiry date	
After five years	£300,000
	=====

16. Ultimate parent company

The directors regard The European Business School Development Foundation Limited, as the company's ultimate parent company.

17. Approval of financial statements

These financial statements were formally approved by the Board of Directors on 22nd December 1993.