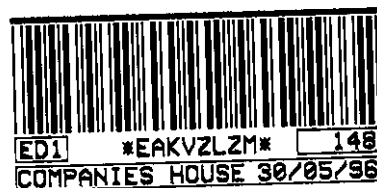


EUROPEAN BUSINESS SCHOOL (LONDON) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 1995



EUROPEAN BUSINESS SCHOOL (LONDON) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST AUGUST 1995

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EUROPEAN BUSINESS SCHOOL (LONDON) LIMITED

DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 31st August 1995.

Statement of 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:

- 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;
- 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.

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.

Business review and future developments

The directors are very pleased to report that the year ended 31st August 1995 has again been a successful one for European Business School (London). Turnover has increased by 8% over the previous year and through tight control over costs the profit for the year has increased by 62% to over £318,000. This continued growth is expected to continue into 1996 and following the signing of an agreement with Ecole Europeene de Gestion in Paris we will be welcoming over 200 visiting students from France during the coming year.

The School continued to expand its franchising and validation operations during the year and agreements have now been signed with nine institutions throughout Europe and North America. The directors now believe that further expansion in this area is not in the School's best interest at the current moment and no further affiliations will be actively sought in the near future.

During the year the School joined the two Erasmus exchange groups run by the European Community. The groups are set up to improve co-operation between educational establishments within the European Community and provide funds for the exchange of students. The directors believe that joining such groups can only benefit the international knowledge and standing of the School within the European market.

The directors would like to thank all of the staff of European Business School (London) without whom this successful year would not have been possible and look forward to its continued success in the future.

EUROPEAN BUSINESS SCHOOL (LONDON) LIMITED

DIRECTORS' REPORT

Results and dividends

The profit for the year after taxation, amounted to £318,109 and is dealt with as on page 4.

Fixed assets

Details of changes in fixed assets are as set out in notes 8 and 9 to the financial statements.

Directors

Mrs G M Payne - Chairman
Mr C S Bunker

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

Charitable contributions

During the year the company has made the following contributions

United Kingdom charitable organisation	£40,000
--	---------

Auditors

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

BY ORDER OF THE BOARD



W M Hughes

Secretary

12th March 1996

Registered Office: Inner Circle
Regents Park
London
NW1 4NS

EUROPEAN BUSINESS SCHOOL (LONDON) LIMITED

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

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies as set out on page 7.

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 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, 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 affairs of the company as at 31st August 1995 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



CASSON BECKMAN

Chartered Accountants
and Registered Auditors

Hobson House
155 Gower Street
London WC1E 6BJ

12th March 1996

EUROPEAN BUSINESS SCHOOL (LONDON) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST AUGUST 1995

	Notes	1995 £	1994 £
Turnover	2	3,856,162	3,567,440
Other operating income	3	98,549	79,458
Administrative expenses	4	(3,631,974)	(3,432,536)
Operating profit		322,737	214,362
Interest payable	5	(2,119)	(17,117)
Profit on ordinary activities before taxation		320,618	197,245
Tax on profit on ordinary activities	7	(2,509)	-
Profit for the financial period	13	£318,109	£197,245

There are no recognised gains or losses other than the surplus for the financial year.

Turnover and operating profit all derive from continuing operations.

EUROPEAN BUSINESS SCHOOL (LONDON) LIMITED

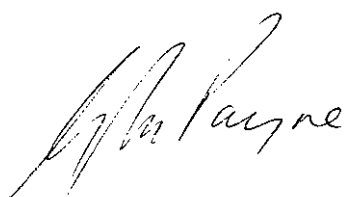
BALANCE SHEET

AT 31ST AUGUST 1995

	Notes	£	1995 £	£	1994 £
Fixed assets					
Intangible assets	8		471,773		569,843
Tangible assets	9		441,497		476,077
			<u>913,270</u>		<u>1,045,920</u>
Current assets					
Debtors	10	206,144		243,866	
Cash at bank and in hand		967,816		797,435	
		<u>1,173,960</u>		<u>1,041,301</u>	
Creditors: Amounts falling due within one year	11	(2,054,632)		(2,338,274)	
Net current liabilities			(880,672)		(1,296,973)
			<u>£ 32,598</u>		<u>£ (251,053)</u>
Capital and reserves					
Called up share capital	12		2		2
Profit and loss account	13		32,596		(251,055)
			<u>£ 32,598</u>		<u>£(251,053)</u>

Approved by the Board on 12 March 1996 and signed on its behalf by

Mrs G M Payne



EUROPEAN BUSINESS SCHOOL (LONDON) LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST AUGUST 1995

	Notes	1995	1994
		£	£
Net cash inflow from operating activities	14	236,733	692,743
Returns on investments and servicing of finance			
Interest received		35,695	26,126
Interest paid		(3,181)	(22,558)
		<u>32,514</u>	<u>3,568</u>
Taxation			
Corporation tax paid		(2,509)	-
Investing Activities			
Payments to acquire tangible fixed assets		(96,357)	(74,424)
		<u>(96,357)</u>	<u>(74,424)</u>
Increase in cash and cash equivalents	14	<u>£170,381</u>	<u>£621,887</u>

EUROPEAN BUSINESS SCHOOL (LONDON) LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST AUGUST 1995

1. Accounting policies

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

Basis of accounting

The financial statements have been prepared under the historical cost convention.

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.

Turnover

Turnover represents the fees receivable for services provided.

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.

Depreciation of tangible fixed assets

Depreciation is provided at rates calculated to write off the anticipated useful lives on a straight line basis as follows:

Leasehold improvements	- over the period of the lease
Fixtures and Fittings	- 10 years
Office equipment	- 4 - 5 years
Computer and audio visual equipment	- 3 years

Foreign currencies

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

Deferred taxation

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

2. Turnover and company profit

The turnover and profit 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.

EUROPEAN BUSINESS SCHOOL (LONDON) LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST AUGUST 1995

3. Other income	1995	1994
	£	£
Sundry income	40,229	33,081
Room hire	16,625	17,174
Exchange gain	-	2,609
Interest receivable	41,695	26,594
	<u>£98,549</u>	<u>£79,458</u>
4. Administrative expenses	1995	1994
	£	£
Administrative expenses include:-		
Hire of plant	7,243	47,273
Auditors' remuneration	5,967	7,393
Depreciation	150,875	109,147
	<u>£264,085</u>	<u>£163,813</u>
5. Interest payable and similar charges	1995	1994
	£	£
On other loans wholly repayable within five years	£ 2,119	£17,117
	<u>£ 2,119</u>	<u>£17,117</u>
6. Employees and directors	1995	1994
	£	£
Staff costs including executive directors during the year amounted to:-		
Wages and salaries	1,232,283	1,360,297
Social security costs	119,755	134,944
Other pension costs	3,313	11,780
	<u>£ 1,355,351</u>	<u>£1,507,021</u>
The average monthly number of employees during the year was:-	No.	No.
Office and management	19	21
Teaching	51	52
	<u>70</u>	<u>73</u>

No emoluments were paid to any of the directors during the year.

EUROPEAN BUSINESS SCHOOL (LONDON) LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST AUGUST 1995

6. Employees and directors

The individual emoluments, excluding pension contributions, of all directors who served during the year fell into the following ranges.

	No.	No.
£Nil - £ 5,000	2	2
£20,001 - £25,000	-	2
£25,001 - £30,000	-	1
	<u>2</u>	<u>5</u>

7. Tax on profit on ordinary activities

	1995 £	1994 £
Corporation tax		
Prior year underprovision	£(2,509)	£ -
	<u>£(2,509)</u>	<u>£ -</u>

8. Intangible fixed assets

	Goodwill £
Cost	
At 1st September 1994	633,159
Adjustment to cost	(78,132)
At 31st August 1995	<u>£555,027</u>
Depreciation	
At 31st August 1994	63,316
Charge for the year	31,658
Adjustment	(11,720)
At 31st August 1995	<u>£83,254</u>
Net book value	
At 31st August 1995	<u>£471,773</u>
At 31st August 1994	<u>£569,843</u>

The adjustment relates to the overprovision of liabilities at the date of purchase of the business from EBS (UK) Limited, as more fully described in note 13.

EUROPEAN BUSINESS SCHOOL (LONDON) LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST AUGUST 1995

9. Tangible fixed assets

	Improvements to leasehold property £	Fixtures and fittings £	Computer and Office equipment £	Total £
Cost				
At 31st August 1994	395,683	60,342	186,694	642,719
Additions	1,813	9,120	85,424	96,357
At 31st August 1995	397,496	69,462	272,118	739,076
Depreciation				
At 31st August 1994	62,117	21,880	82,645	166,642
Charge for the year	26,934	11,967	92,036	130,937
At 31st August 1995	89,051	33,847	174,681	297,579
Net book value				
At 31st August 1995	£308,445	£35,615	£97,437	£441,497
At 31st August 1994	£333,566	£38,462	£104,049	£476,077

EUROPEAN BUSINESS SCHOOL (LONDON) LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST AUGUST 1995

10. Debtors

	1995 £	1994 £
Trade debtors	123,847	143,642
Other debtors	5,975	52,865
Prepayments and accrued income	75,620	47,359
Due from holding company	702	-
	<u>£206,144</u>	<u>£243,866</u>

11. Creditors: Amounts falling due within one year

	1995 £	1994 £
Trade creditors	286,529	234,878
Taxes and social security costs	41,483	244,815
Other creditors	19,285	302,265
Accruals and deferred income	1,707,335	1,556,316
	<u>2,054,632</u>	<u>£2,338,274</u>

The company's bankers hold a fixed and floating charge over the assets of the company.

12. Share capital

	1995	1994
Authorised:		
100 ordinary shares of £1 each	£100	£100
	<u> </u>	<u> </u>
Allotted, issued and fully paid:		
2 ordinary shares of £1 each	£2	£ 2
	<u> </u>	<u> </u>

EUROPEAN BUSINESS SCHOOL (LONDON) LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST AUGUST 1995

13. Reserves and reconciliation of Movements in Shareholders' Funds

	Share Capital £	Profit and loss account £	Total shareholders' funds £
Opening shareholders' funds	2	(251,055)	(251,053)
Profit for the year	-	318,109	318,109
Goodwill written off	-	(34,458)	(34,458)
Closing shareholders' funds	£2	£32,596	£32,598

The assets and certain liabilities, together with the business of European Business School (UK) Limited were purchased on 29th April 1992. The completion accounts were finalised on 7th July 1995 and the goodwill arising on the purchase of £34,458 has been written off straight to reserves during the current year.

14. Notes to the cash flow statement

	1995 £	1994 £
Reconciliation of operating profit to net cash inflow from operating activities:-		
Operating profit	322,737	214,362
Depreciation	150,875	109,147
Interest receivable	(41,695)	(26,126)
Decrease in debtors	43,722	(51,412)
(Decrease)/Increase in creditors	(282,580)	446,772
Adjustment to intangible asset	78,132	-
Goodwill written off	(34,458)	-
Net cash inflow from operating activities	£236,733	£692,743

	1995 £	1994 £
Analysis of changes in cash and cash equivalents during the year:-		
Balance at 1st September 1994	797,435	175,548
Net cash inflow	170,381	621,887
Balance at 31st August 1995	£967,816	£797,435

EUROPEAN BUSINESS SCHOOL (LONDON) LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31ST AUGUST 1995

14. Notes to the cash flow statement

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

	1995 £	1994 £	Change in year £
Cash at bank and in hand	£967,816	£797,435	£170,381
	<u> </u>	<u> </u>	<u> </u>

15. Ultimate parent company

The directors regard The European Business School Educational Trust Limited as the company's ultimate parent company.

16. Approval of financial statements

These financial statements were formally approved by the board of directors on 12th March 1996.