

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY 1998 TO 30 SEPTEMBER 1998
FOR
STUDY GROUP INTERNATIONAL LIMITED
(FORMERLY BRITISH STUDY GROUP LIMITED)**



**STUDY GROUP INTERNATIONAL LIMITED
(FORMERLY BRITISH STUDY GROUP LIMITED)**

**INDEX TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY 1998 TO 30 SEPTEMBER 1998**

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STUDY GROUP INTERNATIONAL LIMITED
(FORMERLY BRITISH STUDY GROUP LIMITED)

COMPANY INFORMATION
FOR THE PERIOD 1 JANUARY 1998 TO 30 SEPTEMBER 1998

DIRECTORS:	J Collyer J B Sykes M W H Morgan P Sykes C J Letcher D Rechtman D S Abraham A J Colin
SECRETARY:	J B Sykes
REGISTERED OFFICE:	Lorna House Lorna Road Hove East Sussex BN3 3EL
REGISTERED NUMBER:	3108030 (England and Wales)
AUDITORS:	Deloitte & Touche Chartered Accountants and Registered Auditors 63 High Street Crawley West Sussex RH10 1BQ
BANKERS:	National Westminster Bank 153 Preston Road Brighton East Sussex ING Barings 60 London Wall London EC2M 5TQ
SOLICITORS:	Berwin Leighton Adelaide House London Bridge London EC4R 9HA

STUDY GROUP INTERNATIONAL LIMITED
(FORMERLY BRITISH STUDY GROUP LIMITED)

REPORT OF THE DIRECTORS
FOR THE PERIOD 1 JANUARY 1998 TO 30 SEPTEMBER 1998

The directors present their report with the financial statements of the company for the period 1 January 1998 to 30 September 1998.

CHANGE OF NAME

The company passed a special resolution on 15 July 1998 changing its name from British Study Group Limited to Study Group International Limited.

PRINCIPAL ACTIVITY

The principal activity of the company in the period under review was that of a parent company.

REVIEW OF BUSINESS

The results for the period and financial position of the company are as shown in the annexed financial statements.

In June 1998 Daily Mail and General Investments Plc took a further 40% stake in the business taking its overall holding to 80%.

The loss on ordinary activities of the company before taxation amounted to £940,155 (1997 - £907,688).

This period has seen the company further invest into both its US and Australian subsidiaries specifically to facilitate the acquisition of Center for English Studies in the US for a total consideration of US\$12.7m and for the completion of marketing arrangements with Taylors College in Melbourne, Australia.

In September 1998 the company itself acquired Education Through English Limited, a company based in Dublin for a total consideration of £1.104m. Also in September 1998 the company acquired Center for Cultural Interchange Srl, a company based in Madrid for a total consideration of £2.179m.

The directors consider that all acquisitions undertaken during the period will add not only to future profitability but also to the overall group's distribution infrastructure.

DIVIDENDS

No dividends will be distributed for the period ended 30 September 1998 (31 December 1997 -£nil).

FUTURE DEVELOPMENTS

It is the directors' intention to continue its policy of investment in both Australia and USA, as well as to continue to look for opportunities within Europe and develop group sales and marketing infrastructure.

POST BALANCE SHEET EVENTS

After the year end Study Group International acquired International Language Centres, a Language school for £800,000.

Since the year end the Daily Mail and General Investments Plc have increased their holding in Study Group International from 80% to 100%.

**STUDY GROUP INTERNATIONAL LIMITED
(FORMERLY BRITISH STUDY GROUP LIMITED)**

**REPORT OF THE DIRECTORS
FOR THE PERIOD 1 JANUARY 1998 TO 30 SEPTEMBER 1998**

DIRECTORS

The directors during the period under review were:

J Collyer	
J B Sykes	
D T Greenland	- resigned 28.2.98
	-appointed 27.4.99
M W H Morgan	
P Sykes	
C J Letcher	
D Rechtman	- appointed 21.7.98
D S Abraham	- appointed 21.7.98
	- resigned 27.4.99
A J Colin	- appointed 21.7.98
Andrew Thick	- appointed 27.4.99
Arvid Peterson	- appointed 01.2.99

The beneficial interests of the directors holding office on 30 September 1998 in the issued share capital of the company were as follows:

	30.9.98	1.1.98 or date of appointment if later
Deferred ordinary £0.01 shares		
J Collyer	256,697	256,697
J B Sykes	-	-
M W H Morgan	-	-
P Sykes	-	-
C J Letcher	-	-
D Rechtman	-	-
D S Abraham	-	-
A J Colin	-	-
Deferred preference \$0.01 shares		
J Collyer	256,697	256,697
J B Sykes	-	-
M W H Morgan	-	-
P Sykes	-	-
C J Letcher	-	-
D Rechtman	-	-
D S Abraham	-	-
A J Colin	-	-
Ordinary \$0.01 shares		
J Collyer	-	-
J B Sykes	-	-
M W H Morgan	-	-
P Sykes	-	-
C J Letcher	-	-
D Rechtman	-	-
D S Abraham	-	-
A J Colin	-	-

None of the directors had any beneficial interests in the issued share capital of Daily Mail & General Trust Plc.

**STUDY GROUP INTERNATIONAL LIMITED
(FORMERLY BRITISH STUDY GROUP LIMITED)**

**REPORT OF THE DIRECTORS
FOR THE PERIOD 1 JANUARY 1998 TO 30 SEPTEMBER 1998**

YEAR 2000

The company is currently in the process of addressing the Year 2000 problem. Although the company expects its systems to be Year 2000 compliant by the required date, it cannot guarantee the compliance of any third party systems. The total cost of the Year 2000 compliance exercise is not anticipated to be material.

EMPLOYEE INVOLVEMENT

Under the company's general policy of decentralised management, it is the responsibility of the management in each department to encourage the involvement and participation of employees in their department. Increasingly a significant portion of remuneration is linked to performance targets.

The company gives full and fair consideration to suitable applications from disabled persons for employment. If existing employees become disabled they will continue to be employed, wherever practicable, in the same job or, if this is not practicable, every effort will be made to find suitable alternative employment and to provide appropriate training.

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

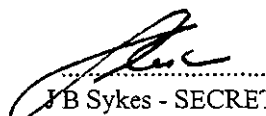
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume 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.

AUDITORS

Deloitte & Touche were appointed as auditors and they will be proposed for re-appointment in accordance with Section 385 of the Companies Act.

ON BEHALF OF THE BOARD:


J B Sykes - SECRETARY

Dated: 6/7/99

**STUDY GROUP INTERNATIONAL LIMITED
(FORMERLY BRITISH STUDY GROUP LIMITED)**

**REPORT OF THE AUDITORS TO THE MEMBERS OF
STUDY GROUP INTERNATIONAL LIMITED
(FORMERLY BRITISH STUDY GROUP LIMITED)**

We have audited the financial statements on pages six to seventeen which have been prepared under the accounting policies set out on pages nine and ten.

Respective responsibilities of directors and auditors

As described on page four 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 company's affairs as at 30 September 1998 and of its loss for the period from 1 January 1998 to 30 September 1998 and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and
Registered Auditors
63 High Street
Crawley
West Sussex
RH10 1BQ

Dated: 9 July 1999

STUDY GROUP INTERNATIONAL LIMITED
(FORMERLY BRITISH STUDY GROUP LIMITED)

PROFIT AND LOSS ACCOUNT
FOR THE PERIOD 1 JANUARY 1998 TO 30 SEPTEMBER 1998

		Period 1.1.98 to 30.9.98		Year Ended 31.12.97 (as restated see note 7)	
	Notes	£	£	£	£
TURNOVER			-		-
Administrative expenses			<u>572,184</u>		<u>944,661</u>
OPERATING LOSS	3		(572,184)		(944,661)
Interest receivable and similar income	4		84,723		142,796
Interest payable and similar charges	5		<u>(452,694)</u>		<u>(105,823)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION			(940,155)		(907,688)
Tax on loss on ordinary activities	6		<u>-</u>		<u>-</u>
LOSS FOR THE FINANCIAL PERIOD AFTER TAXATION			(940,155)		(907,688)
Deficit brought forward:					
As previously reported		(1,231,728)		(386,133)	
Prior year adjustments	7	<u>(62,093)</u>		<u>-</u>	
As restated			<u>(1,293,821)</u>		<u>(386,133)</u>
Exchange difference			<u>(2,233,976)</u> <u>(13,564)</u>		<u>(1,293,821)</u> <u>-</u>
DEFICIT CARRIED FORWARD			<u>£(2,247,540)</u>		<u>£(1,293,821)</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current period or previous year.

STUDY GROUP INTERNATIONAL LIMITED
(FORMERLY BRITISH STUDY GROUP LIMITED)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE PERIOD 1 JANUARY 1998 TO 30 SEPTEMBER 1998

	Period 1.1.98 to 30.9.98	Year Ended 31.12.97 (as restated see note 7)
	£	£
LOSS FOR THE FINANCIAL PERIOD	(940,155)	(907,688)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE PERIOD	(940,155)	<u>£(907,688)</u>
Prior year adjustment (note 7)	<u>(62,093)</u>	
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT	<u>£(1,002,248)</u>	

STUDY GROUP INTERNATIONAL LIMITED
(FORMERLY BRITISH STUDY GROUP LIMITED)

BALANCE SHEET
30 SEPTEMBER 1998

		30 September 1998		31 December 1997 (as restated see note 7)	
	Notes	£	£	£	£
FIXED ASSETS:					
Tangible assets	8		145,113		9,364
Investments	9		<u>15,303,832</u>		<u>6,001,371</u>
			15,448,945		6,010,735
CURRENT ASSETS:					
Debtors	10	1,401,866		277,939	
Cash at bank and in hand		<u>528</u>		<u>991,167</u>	
		1,402,394		1,269,106	
CREDITORS: Amounts falling due within one year	11	<u>2,746,008</u>		<u>136,184</u>	
NET CURRENT (LIABILITIES)/ASSETS:			<u>(1,343,614)</u>		<u>1,132,922</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			14,105,331		7,143,657
CREDITORS: Amounts falling due after more than one year	12		<u>6,887,455</u>		<u>3,962,302</u>
			<u>£7,217,876</u>		<u>£3,181,355</u>
CAPITAL AND RESERVES:					
Called up share capital	14		1,537,964		1,479,891
Share premium	15		7,927,452		2,995,285
Profit and loss account			<u>(2,247,540)</u>		<u>(1,293,821)</u>
Shareholders' funds	18		<u>£7,217,876</u>		<u>£3,181,355</u>
Equity interests			5,768,630		1,732,109
Non equity interests			<u>1,449,246</u>		<u>1,449,246</u>
			<u>£7,217,876</u>		<u>£3,181,355</u>

ON BEHALF OF THE BOARD:


J B Sykes - DIRECTOR

Approved by the Board on 6/7/99

**STUDY GROUP INTERNATIONAL LIMITED
(FORMERLY BRITISH STUDY GROUP LIMITED)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY 1998 TO 30 SEPTEMBER 1998**

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards. A summary of the more important policies adopted are set out below.

Going concern

These financial statements have been prepared on the basis that the company will continue to be a going concern. The company is in receipt of a letter of support from DMG Information Limited. If this assumption is not considered valid, then adjustments would need to be made to reduce the value of assets to their recoverable amount, to provide for any further liabilities that might arise and to reclassify fixed assets and long term liabilities as current assets and liabilities.

Accounting convention

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

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Computer equipment - 25% on cost

Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions payable for the period are charged in the profit and loss account.

Cash flow

The company is, at the 30 September 1998, an 80% owned subsidiary of Daily Mail & General Trust Plc and 100% of the cash flows of the company are included in the consolidated group cash flow statement of Daily Mail & General Trust Plc. Consequently the company is exempt from the requirement to publish a cash flow statement.

Foreign currencies

Transactions denominated in foreign currency are translated into sterling at the rate of exchange ruling at the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in a foreign currency are translated at the rate ruling at that date or at rates of the appropriate foreign exchange contracts. Translation differences on matching foreign currency borrowings and investment in subsidiaries are dealt with as a movement on reserves. All other exchange differences are taken to the profit and loss account.

Investments

Investments represent shares and loans to subsidiary companies and are stated at cost.

Group accounts

Group accounts are not required on the basis that the company is a subsidiary and its results are consolidated in the accounts of the Daily Mail & General Trust Plc, a company registered in England and Wales. These financial statements relate to the company only.

STUDY GROUP INTERNATIONAL LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY 1998 TO 30 SEPTEMBER 1998

1. ACCOUNTING POLICIES - continued

Set up costs

Set up costs incurred in relation to establishing new UK and overseas offices are capitalised and amortised over three years from the date that the office is fully operational.

2. STAFF COSTS

	Period 1.1.98 to 30.9.98 £	Year Ended 31.12.97 £
Wages and salaries	156,381	96,058
Social security costs	15,354	9,606
Other pension costs	<u>32,625</u>	<u>-</u>
	<u>204,360</u>	<u>105,664</u>

The average monthly number of employees during the period was as follows:

	Period 1.1.98 to 30.9.98	Year Ended 31.12.97
Administration	<u>10</u>	<u>4</u>

3. OPERATING LOSS

The operating loss is stated after charging:

	Period 1.1.98 to 30.9.98 £	Year Ended 31.12.97 £
Depreciation - owned assets	10,934	624
Auditors' remuneration	<u>10,000</u>	<u>15,000</u>
Directors' emoluments	92,463	96,058
Pension contributions	<u>32,250</u>	<u>-</u>

The number of directors for whom pension contributions were made was as follows:

Money purchase schemes	<u>1</u>	<u>-</u>
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4. INTEREST RECEIVABLE AND SIMILAR INCOME

	Period 1.1.98 to 30.9.98 £	Year Ended 31.12.97 £
Deposit account interest	8,019	142,796
Notional interest on loans to subsidiaries	<u>76,704</u>	<u>-</u>
	<u>84,723</u>	<u>142,796</u>

**STUDY GROUP INTERNATIONAL LIMITED
(FORMERLY BRITISH STUDY GROUP LIMITED)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY 1998 TO 30 SEPTEMBER 1998**

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Period 1.1.98 to 30.9.98 £	Year Ended 31.12.97 £
Bank loan & overdraft interest	<u>452,694</u>	<u>105,823</u>

6. TAX ON LOSS ON ORDINARY ACTIVITIES

No liability to UK Corporation tax arose on ordinary activities for the period ended 30 September 1998 nor for the year ended 31 December 1997, due to the availability of losses.

7. PRIOR YEAR ADJUSTMENT

As the company has now become an 80% subsidiary of Daily Mail & General Trust Plc (D.M.G.T.) the changes set out below to certain accounting policies have been effected to ensure that the company's policies are consistent with those of D.M.G.T..

The prior year adjustment represents a change to the accounting policy which previously sought to match marketing and advertising expenditure to the period in which associated fees are earned. The expenditure is now charged to the profit and loss account as incurred. The effect of this change gives rise to a debit adjustment to reserves of £62,093 which relates to 1997. The change in policy has meant a reduction in prepayments at the period end of £62,093. There has been no material effect on current period losses.

8. TANGIBLE FIXED ASSETS

	Computer equipment £
COST:	
At 1 January 1998	9,988
Additions	<u>146,683</u>
At 30 September 1998	<u>156,671</u>
DEPRECIATION:	
At 1 January 1998	624
Charge for period	<u>10,934</u>
At 30 September 1998	<u>11,558</u>
NET BOOK VALUE:	
At 30 September 1998	<u>145,113</u>
At 31 December 1997	<u>9,364</u>

STUDY GROUP INTERNATIONAL LIMITED
(FORMERLY BRITISH STUDY GROUP LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY 1998 TO 30 SEPTEMBER 1998

9. FIXED ASSET INVESTMENTS

	<u>Loan</u>	<u>Shares</u>	<u>Total</u>
	£	£	£
COST:			
At 1 January 1998	4,108,105	1,893,266	6,001,371
Additions	6,545,376	3,282,964	9,828,340
Exchange adjustment	(525,879)	-	(525,879)
At 30 September 1998	<u>10,127,602</u>	<u>5,176,230</u>	<u>15,303,832</u>
NET BOOK VALUE			
At 30 September 1998	<u>10,127,602</u>	<u>5,176,230</u>	<u>15,303,832</u>
At 31 December 1997	<u>4,108,105</u>	<u>1,893,266</u>	<u>6,001,371</u>

The fair values of assets and liabilities acquired in respect of each acquisition, the cost of consideration and goodwill arising are as follows:

	<u>Education Through English Limited</u>	<u>Center For Cultural Interchange Sri</u>	<u>Total</u>
	£	£	£
Tangible fixed assets	10,770	20,280	31,050
Stocks	-	20,580	20,580
Debtors	65,977	48,990	114,967
Cash at bank and in hand	18,160	125,702	143,862
Creditors	<u>(271,809)</u>	<u>(215,552)</u>	<u>(487,361)</u>
Net assets (liabilities)	<u>(176,902)</u>	-	<u>(176,902)</u>
Goodwill	<u>1,280,660</u>	<u>2,179,206</u>	<u>3,459,866</u>
	<u>1,103,758</u>	<u>2,179,206</u>	<u>3,282,964</u>
Satisfied by :-			
Cash	307,173	439,496	746,669
Acquisition expenses	52,688	98,924	151,612
Deferred consideration	<u>743,897</u>	<u>1,640,786</u>	<u>2,384,683</u>
	<u>1,103,758</u>	<u>2,179,206</u>	<u>3,282,964</u>

STUDY GROUP INTERNATIONAL LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY 1998 TO 30 SEPTEMBER 1998

9 FIXED ASSET INVESTMENTS continued

The company has 100% interest in the ordinary share capital of the following subsidiary undertakings:-

<u>Name of Subsidiary</u>	<u>Principal Activity</u>	<u>Country of operation</u>
BSG (USA) Inc	Holding company	USA
Tomwell Pty Limited	Holding company	Australia
SGA Holding Pty Limited	Dormant	Australia
Bellerbys Educational Services Limited	Academic training	United Kingdom
Embassy Educational Services Limited	Holding company	United Kingdom
Study Group Properties Limited	Property Holding company	United Kingdom
Wadhurst College Limited	Academic training	United Kingdom
Mayfield College Limited	Academic training	United Kingdom
Ventnor Villas Limited	Property company	United Kingdom
Cambridge Business College Limited	Dormant	United Kingdom
Irish Study Group Limited	Dormant	Ireland
Clubcure Limited	Dormant	United Kingdom
Education Through English Limited	Academic year provider	Ireland
Center For Cultural Interchange Srl	Academic year provider	Spain
British Study Group Limited	Dormant	United Kingdom
CCI International (Education) Limited	Academic year provider	United Kingdom

In addition the following investments in trading companies are held by subsidiaries of the company:-

<u>Name of Company</u>	<u>Holding</u>	<u>Principal Activity</u>	<u>Country of operation</u>
Embassy Educational Services (UK) Limited	100%	Language training	United Kingdom
Britannia Educational and Discovery Limited	100%	Language training	United Kingdom
Embassy Transport Limited	100%	Dormant	United Kingdom
Cavendish Educational Consultants Limited	100%	Educational Services	United Kingdom
Deepdene Educational Services Limited	100%	Nursery School	United Kingdom
Seldomtime Limited	100%	Property development	United Kingdom
Brightacre Limited	100%	Property company	United Kingdom
Wadhurst Estates Limited	100%	Property company	United Kingdom
Mayfield Realty Limited	100%	Property company	United Kingdom
Studycare Limited	100%	Property company	United Kingdom
Study Group USA Inc	100%	Language training	USA
Center for English Studies Inc	100%	Language training	USA
FSL Holdings Inc	100%	Holding company	USA
FSL Inc	100%	Academic year provider	USA
Study Group Australia Pty Limited	100%	Holding Company	Australia
Lorraine Martin College Pty Limited	100%	Language training	Australia
Bellerbys College Sydney Pty Limited	100%	Academic training	Australia
Embassy Language & Training Pty Limited	100%	Language training	Australia

STUDY GROUP INTERNATIONAL LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY 1998 TO 30 SEPTEMBER 1998

**10. DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	30 September 1998 £	31 December 1997 £
Called up share capital not paid	402	402
Amounts owed by group		
Undertakings (See note 17)	616,891	248,595
Other debtors	347,489	-
Prepayments & accrued income	437,084	28,942
	<u>1,401,866</u>	<u>277,939</u>

**11. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	30 September 1998 £	31 December 1997 £
Bank loans and overdrafts (see note 13)	1,498,215	-
Trade creditors	100,178	48,010
Other creditors	932,564	45,081
Accruals & deferred income	215,051	43,093
	<u>2,746,008</u>	<u>136,184</u>

**12. CREDITORS: AMOUNTS FALLING
DUE AFTER MORE THAN ONE YEAR**

	30 September 1998 £	31 December 1997 £
Bank loans (see note 13)	5,249,414	3,962,302
Other creditors	1,638,041	-
	<u>6,887,455</u>	<u>3,962,302</u>

Other creditors due after more than one year relates solely to defined purchase consideration on acquisitions and falls due for payment as follows:

	30 September 1998 £	31 December 1997 £
Between one and two years	656,129	-
Between two and five years	981,912	-
	<u>1,638,041</u>	<u>-</u>

STUDY GROUP INTERNATIONAL LIMITED
(FORMERLY BRITISH STUDY GROUP LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY 1998 TO 30 SEPTEMBER 1998

13. LOANS AND OVERDRAFTS

An analysis of the maturity of loans and overdrafts is given below:

	30 September 1998 £	31 December 1997 £
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>1,498,215</u>	<u>-</u>
Amounts falling due between two and five years:		
Bank loans	<u>5,249,414</u>	<u>3,962,302</u>

Bank overdraft totalling £1,498,215 is secured by an unlimited guarantee provided by Study Group International Limited, Bellerbys Educational Services Limited, Embassy Educational Services (UK) Limited and Clubcure Limited.

Bank loans of £5,249,414 are under an £8m revolving credit facility provided by ING Barings. This facility is for a period of three years from August 1997.

14. CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid:			30 September 1998	31 December 1997
Number:	Class:	Nominal value:	£	£
144,022,000	Deferred ordinary	£0.01	1,440,220	1,440,220
1,400,000	Deferred preference	\$0.01	9,026	9,026
14,259,825 (1997 - 4,753,272)	Ordinary	\$0.01	<u>88,718</u>	<u>30,645</u>
			<u>1,537,964</u>	<u>1,479,891</u>

On 4 June 1998, the company issued a further 9,506,553 new ordinary shares of US\$0.01 with an aggregate nominal value of £58,073 for a total cash consideration of £5m, which resulted in a share premium of £4,932,167 arising.

Share rights

The holders of the deferred ordinary and deferred preference shares are not entitled to participate in the profits of the company. On liquidation or other return of capital, deferred shareholders are entitled to receive an amount in aggregate not exceeding par value, but only after the ordinary shareholders have received an amount of £10,000,000 per share. The company can at any time purchase all or any of the deferred ordinary £0.01 shares and deferred \$0.01 preference shares for an aggregate consideration of £1.

STUDY GROUP INTERNATIONAL LIMITED
(FORMERLY BRITISH STUDY GROUP LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY 1998 TO 30 SEPTEMBER 1998

15. SHARE PREMIUM	30 September 1998	31 December 1997
	£	£
Brought forward	2,995,285	2,995,285
Share premium arising	<u>4,932,167</u>	<u>-</u>
	<u>7,927,452</u>	<u>2,995,285</u>

16. ULTIMATE PARENT COMPANY

Study Group International Limited is an 80% owned subsidiary of Daily Mail & General Trust Plc, a company registered in England and Wales, which is itself a subsidiary of Rothermere Continuation Limited, a company incorporated in Bermuda. Copies of the Report and Financial Statements of Daily Mail & General Trust Plc are available from:

The Company Secretary
Daily Mail & General Trust Plc
Northcliffe House
2 Derry Street
Kensington
London W8 5TT

17. RELATED PARTY DISCLOSURES

In the period to 30 September 1998, balances owed from related parties increased from £248,595 to £616,891.

Opening Balance at 1 January 1998	£248,595
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Closing Balance at 30 September 1998.	£616,891
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Movement [Increase]	£368,296
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The increase of £368,296 all relates to loan funding between companies that are all subsidiaries of Study Group International Ltd.

In the period to 30 September 1998, fixed asset investments increased from £6,001,371 to £15,303,832.

Included within the investments are loans to subsidiary companies of £10,127,602. The increase in the year is £6,019,497.

During the period the company paid £6,926 (1997 - £2,385) to Ashdown Hurrey & Co in respect of accountancy services. J.B.Sykes is a partner of Ashdown Hurrey & Co..

STUDY GROUP INTERNATIONAL LIMITED
(FORMERLY BRITISH STUDY GROUP LIMITED)

NOTES TO THE FINANCIAL STATEMENTS
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18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Period 1.1.98 to 30.9.98 £	Year Ended 31.12.97 £
Loss for the financial period	(940,155)	(907,688)
Exchange difference	(13,564)	-
Issue of share capital	58,073	-
Share premium arising	<u>4,932,167</u>	<u>-</u>
NET ADDITION/(REDUCTION) TO SHAREHOLDERS' FUNDS	4,036,521	(907,688)
Opening shareholders' funds (originally £3,243,448 before prior year adjustment of £(62,093))	<u>3,181,355</u>	<u>4,089,043</u>
CLOSING SHAREHOLDERS' FUNDS	<u>7,217,876</u>	<u>3,181,355</u>
Equity interests	5,768,630	1,732,109
Non equity interests	<u>1,449,246</u>	<u>1,449,246</u>
	<u>7,217,876</u>	<u>3,181,355</u>

19. ULTIMATE CONTROLLING PARTY

The directors regard the ultimate controlling party as Viscount Rothermere, the Chairman of the Daily Mail & General Trust Plc.

20. ACCOUNTING BASIS

As stated in the accounting policy note, these financial statements have been prepared on the basis that the company will continue to be a going concern. The current liabilities exceeded current assets by £1,343,614.

The validity of this basis depends on the continued support of DMG Information Limited, which has indicated that it will continue to support the company for the foreseeable future.

21. POST BLANCE SHEET EVENTS

After the year end Study Group International acquired International Language Centres, a Language school for £800,000.

Since the year end the Daily Mail & General Investments Plc have increased their holding in Study Group International from 80% to 100%.

STUDY GROUP INTERNATIONAL LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
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	Period 1.1.98 to 30.9.98		Year Ended 31.12.97	
	£	£	£	£
Income		-		-
Other income:				
Deposit account interest	8,019		142,796	
Notional interest on loans to subsidiaries	<u>76,704</u>		<u>-</u>	
		<u>84,723</u>		<u>142,796</u>
		84,723		142,796
Expenditure:				
Directors' remuneration	92,464		96,058	
Social security	9,247		9,606	
Pension contributions	32,625		-	
Wages	55,804		-	
Social security	14,220		-	
Sundry expenses	346,890		823,997	
Auditors' remuneration	<u>10,000</u>		<u>15,000</u>	
		<u>561,250</u>		<u>944,661</u>
		(476,527)		(801,865)
Finance costs:				
Bank loan & overdraft interest		<u>452,694</u>		<u>105,823</u>
		(929,221)		(907,688)
Depreciation:				
Computer equipment		<u>10,934</u>		<u>-</u>
NET LOSS		<u>£(940,155)</u>		<u>£(907,688)</u>