

College Management Services Limited

REPORT AND FINANCIAL STATEMENTS

31 August 1999



College Management Services Limited

DIRECTORS AND OFFICERS

DIRECTORS

Mrs GM Payne
Mrs K Van Miert
M Maladwala

SECRETARY

WM Hughes

REGISTERED OFFICE

Inner Circle
Regents Park
London NW1 4NS

AUDITORS

Baker Tilly
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

College Management Services Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of College Management Services Limited for the year ended 31 August 1999.

PRINCIPAL ACTIVITIES

The principal activity of the College during the year was the provision of management services to group companies.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company's second year of trading was very successful with turnover doubling to £2,124,175. The Directors remain optimistic that the company will continue to grow during the current year. They would like to thank all the employees of the company for their hard work during the year.

DIVIDENDS

The directors do not recommend the payment of a dividend (1998: £1,030 per share (amounting to £103,000)).

DIRECTORS

The following directors have held office since 1 September 1998:

Mrs GM Payne
Mrs K Van Miert
M Maladwala

(appointed 19 November 1999)

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

Directors' interests in the shares of the company, including family interests, were as follows:

| | <i>Ordinary shares of £1 each</i> | |
|-----------------|---------------------------------------|----------|
| | 31.08.99 | 01.09.98 |
| Mrs GM Payne | 51 | 51 |
| Mrs K Van Miert | 29 | 29 |
| M Maladwala | 20 | - |

YEAR 2000 COMPLIANCE

As is well known, many computer and digital systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business not only depends on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

The company is well advanced in the phase of assessing the risks to our business resulting from the date change to the Year 2000. Once this phase is completed we can assess the likely impact on our activities and develop prioritised action plans to deal with the key risks.

The costs to-date associated in dealing with the above issues have been absorbed within the normal running

College Management Services Limited

DIRECTORS' REPORT

costs of the business and no significant further costs are expected to be incurred.

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

14 June 2000

College Management Services Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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.

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 requirements of 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.

AUDITORS' REPORT TO THE MEMBERS OF COLLEGE MANAGEMENT SERVICES LIMITED

We have audited the financial statements on pages 6 to 13 which have been prepared under the historical cost convention and the accounting policies as set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 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.

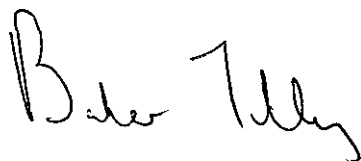
Basis of opinion

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 at 31 August 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BAKER TILLY

Registered Auditors
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

14 June 2000

College Management Services Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 August 1999

| | Notes | 1999 £ | 1998 £ |
|---|-------|-------------|-----------|
| TURNOVER | 1 | 2,124,175 | 1,100,170 |
| Administration costs | | (2,265,418) | (923,651) |
| OPERATING (LOSS)/PROFIT | 2 | (141,243) | 176,519 |
| Interest receivable and other income | | 143,945 | 2,377 |
| Interest payable | 3 | - | (3,536) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 2,702 | 175,360 |
| Taxation | 5 | 1,267 | (41,500) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 3,969 | 133,860 |
| Dividends | 6 | - | (103,000) |
| RETAINED PROFIT FOR THE YEAR | 13 | 3,969 | 30,860 |

The operating loss for the year arises from the company's continuing operations.

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

College Management Services Limited

BALANCE SHEET

31 August 1999

| | Notes | 1999 £ | 1998 £ |
|---|-------|-----------------|-----------------|
| FIXED ASSETS | | | |
| Tangible assets | 7 | 40,702 | 41,077 |
| Investments | 8 | 4 | 4 |
| | | <u>40,706</u> | <u>41,081</u> |
| CURRENT ASSETS | | | |
| Debtors | 9 | 335,527 | 154,618 |
| Cash at bank and in hand | | 382,360 | 277,818 |
| | | <u>717,887</u> | <u>432,436</u> |
| CREDITORS: Amounts falling due within one year | 10 | (751,679) | (470,572) |
| NET CURRENT LIABILITIES | | <u>(33,792)</u> | <u>(38,136)</u> |
| NET ASSETS | | 6,914 | 2,945 |
| PROVISIONS FOR LIABILITIES AND CHARGES | 11 | (1,500) | (1,500) |
| | | <u>5,414</u> | <u>1,445</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 12 | 100 | 100 |
| Profit and loss account | 13 | 5,314 | 1,345 |
| SHAREHOLDERS' FUNDS | | <u>5,414</u> | <u>1,445</u> |

Approved by the board on 14 June 2000


Mrs. GM Payne

Director

College Management Services Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

TANGIBLE FIXED ASSETS

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

| | |
|--------------------|-------------------|
| Furniture | over 3 to 5 years |
| Computer equipment | over 3 years |
| Office equipment | over 3 to 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.

LEASED ASSETS AND OBLIGATIONS

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers.

College Management Services Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 1999

1 TURNOVER

Turnover of the company during the year was from the same business activities and was all made in the same geographical area.

2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

| 1999 | 1998 |
|------|------|
| £ | £ |

Profit on ordinary activities before taxation is stated after charging:

| | | |
|------------------------|--------|--------|
| Auditors' remuneration | 2,547 | 2,280 |
| Depreciation | 23,512 | 14,414 |
| Equipment hire | 140 | 885 |

3 INTEREST PAYABLE

| 1999 | 1998 |
|------|------|
| £ | £ |

| | | |
|----------------|---|-------|
| Loans interest | - | 3,536 |
|----------------|---|-------|

4 EMPLOYEES

| 1999 | 1998 |
|------|------|
| No. | No. |

The average monthly number of persons (including directors) employed by the company during the year was:

| | | |
|-----------------------|----|----|
| Office and management | 6 | 3 |
| Academic | 50 | 40 |

Staff costs for the above persons:

| | | |
|-----------------------|---------|---------|
| Wages and salaries | 943,935 | 266,156 |
| Social Security costs | 96,262 | 20,556 |
| Other pension costs | 4,991 | 1,771 |

| | |
|-----------|---------|
| 1,045,188 | 288,483 |
|-----------|---------|

5 TAXATION

| 1999 | 1998 |
|------|------|
| £ | £ |

Based on the profit for the year:

| | | |
|------------------------------|---------|--------|
| UK corporation tax at 33% | - | 40,000 |
| Overprovision in prior years | (1,267) | - |
| Deferred taxation | - | 1,500 |

| | |
|---------|--------|
| (1,267) | 41,500 |
|---------|--------|

6 DIVIDENDS

| 1999 | 1998 |
|------|------|
| £ | £ |

Ordinary:

| | | |
|---|---|---------|
| Interim proposed - £Nil (1998 - £1,030) | - | 103,000 |
|---|---|---------|

College Management Services Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 1999

| 7 | TANGIBLE FIXED ASSETS | <i>Furniture</i> £ | <i>Computer equipment</i> £ | <i>Office equipment</i> £ | <i>Total</i> £ |
|---|-----------------------|-----------------------|------------------------------------|----------------------------------|-------------------|
| | Cost | | | | |
| | 1 September 1998 | 10,459 | 23,945 | 21,087 | 55,491 |
| | Additions | 6,687 | 15,717 | 733 | 23,137 |
| | 31 August 1999 | 17,146 | 39,662 | 21,820 | 78,628 |
| | Depreciation | | | | |
| | 1 September 1998 | 3,242 | 5,882 | 5,290 | 14,414 |
| | Charged in the year | 5,287 | 11,628 | 6,597 | 23,512 |
| | 31 August 1999 | 8,529 | 17,510 | 11,887 | 37,926 |
| | Net book value | | | | |
| | 31 August 1999 | 8,617 | 22,152 | 9,933 | 40,702 |
| | 31 August 1998 | 7,217 | 18,063 | 15,797 | 41,077 |

| 8 | INVESTMENTS IN SUBSIDIARIES | Subsidiary undertaking £ |
|---|-----------------------------------|--------------------------------|
| | 31 August 1998 and 31 August 1999 | 4 |

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

| <i>Name of company</i> | <i>Holding</i> | <i>Proportion held</i> | <i>Nature of business</i> |
|------------------------------------|----------------|------------------------|---------------------------|
| College Bookshop Limited | 2 shares | 100% | Educational bookshop |
| Study Abroad International Limited | 2 shares | 100% | Dormant |

The company is the only member of the following companies limited by guarantee at the balance sheet date:

| <i>Name of company</i> | <i>Effective holdings</i> | <i>Nature of business</i> |
|---|---------------------------|---------------------------|
| Regents Business School London Limited | 100% | Educational services |
| News World Graduate School Limited | 100% | Educational services |
| Regents International Study Centre London Limited | 100% | Educational services |
| Webster Graduate Studies Centre London Limited | 100% | Educational services |

College Management Services Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 1999

8 INVESTMENTS IN SUBSIDIARIES (*continued*)

The aggregate amount of the subsidiaries share capital and reserves at the end of its financial year and of its profit and loss for that year was as follows:

| <i>Name of company</i> | <i>Result before tax 1999 £</i> | <i>Aggregate amount of its share capital and reserves 1999 £</i> | <i>Result before tax 1998 £</i> | <i>Aggregate amount of its share capital & reserves 1998 £</i> |
|--|---|--|---|--|
| College Bookshop Limited | (22,887) | (41,981) | (19,096) | (19,094) |
| Study Abroad International Limited | - | 2 | - | 2 |
| Regents Business School London Limited | 29,529 | (9,510) | (14,048) | (36,533) |
| News World Graduate School Limited | 65,835 | 13,125 | (48,105) | (48,105) |
| Regents International Study Centre London Limited | 28,751 | 29,651 | 9,520 | 7,520 |
| Webster Graduate Studies Centre London Limited | (4,980) | (3,635) | 1,849 | 1,461 |

9 DEBTORS

| | 1999 £ | 1998 £ |
|-------------------------------------|----------------|----------------|
| Due within one year: | | |
| Amounts due from group undertakings | 167,195 | 83,822 |
| Corporation tax | 66,017 | - |
| Other debtors | 13,877 | 65,224 |
| Prepayments and accrued income | 88,438 | 5,572 |
| | <u>335,527</u> | <u>154,618</u> |

10 CREDITORS: Amounts falling due within one year

| | 1999 £ | 1998 £ |
|---------------------------------------|----------------|----------------|
| Bank overdraft | - | 6,418 |
| Trade creditors | 9,220 | 2,323 |
| Proposed dividend | - | 103,000 |
| Corporation tax | - | 65,750 |
| Other taxes and social security costs | 9,763 | 5,198 |
| Amounts due to group undertakings | 22,219 | 164,109 |
| Other creditors | 188,513 | 58,914 |
| Accruals and deferred income | 521,964 | 64,860 |
| | <u>751,679</u> | <u>470,572</u> |

College Management Services Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 1999

| | | |
|----|--|---------------------------|
| 11 | PROVISIONS FOR LIABILITIES AND CHARGES | Deferred taxation £ |
| | Balance at 1 September 1998 | 1,500 |
| | Transfer to profit and loss account | - |
| | Balance at 31 August 1999 | <u>1,500</u> |

Deferred taxation provided in the financial statements and the unprovided potential liability are as follows:

| | <i>Amount provided</i> | | <i>Unprovided liability</i> | |
|--|------------------------|--------------|-----------------------------|----------|
| | 1999 | 1998 | 1999 | 1998 |
| | £ | £ | £ | £ |
| Excess of tax allowances over depreciation | <u>1,500</u> | <u>1,500</u> | <u>-</u> | <u>-</u> |

| | | | |
|----|---|------------|------------|
| 12 | SHARE CAPITAL | 1999 £ | 1998 £ |
| | Authorised, allotted, issued and fully paid (unpaid in 1998): 100 ordinary shares of £1 each | <u>100</u> | <u>100</u> |

| | | | |
|----|-------------------------|--------------|---------------|
| 13 | PROFIT AND LOSS ACCOUNT | 1999 £ | 1998 £ |
| | 1 September 1998 | 1,345 | (29,515) |
| | Profit for the year | <u>3,969</u> | <u>30,860</u> |
| | 31 August 1999 | <u>5,314</u> | <u>1,345</u> |

| | | | |
|----|---|--------------|---------------|
| 14 | RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS | 1999 £ | 1998 £ |
| | Profit for the financial year | 3,969 | 133,860 |
| | Dividends | - | (103,000) |
| | | <u>3,969</u> | <u>30,860</u> |
| | Opening shareholders' funds | 1,445 | (29,415) |
| | Closing shareholders' funds | <u>5,414</u> | <u>1,445</u> |

College Management Services Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 1999

15 ULTIMATE CONTROLLING PARTY AND RELATED PARTY TRANSACTIONS

The ultimate controlling party is Mrs GM Payne who owns 51% shareholding and is also a director of the company.

| <i>Party</i> | <i>Description of transaction</i> | <i>Value of transaction £</i> | <i>Year end debtor/(creditor) balance £</i> |
|---|------------------------------------|-----------------------------------|---|
| Regent's College | Provision of marketing services | 937,536 | (140,113) |
| Regents College Management Services Limited | Management charge | 20,000 | - |
| Regents College Conference Centre Limited | Provision of conference facilities | 12,039 | (10,616) |

Regent's College is a registered charity and a company limited by guarantee of which Mrs Payne is a guarantor.

Regent's College is the ultimate parent company of Regents College Conference Centre Limited of which Mrs Payne is also a director.

| <i>Party</i> | <i>Description of transaction</i> | <i>Value of transaction £</i> | <i>Year end debtor/(creditor) balance £</i> |
|--|-----------------------------------|-----------------------------------|---|
| Regents Business School London Limited | Recharge of expenses | 680,360 | (3,227) |
| Regents International Studies Centre Limited | Recharge of expenses | 842,742 | 32,110 |
| News World Graduate School Limited | Recharge of expenses | 151,835 | (18,992) |
| Webster Graduate Studies Centre London Limited | Recharge of expenses | 376,738 | 55,030 |
| College Bookshop Limited | Provision of educational books | 9,980 | 80,055 |

College Management Services Limited is the parent company of College Bookshop Limited and is the only member of the other companies listed above which are all limited by guarantee.