

**REGISTRAR'S
COPY**

COMPANY NUMBER: 3930321

**ABERCORN EDUCATION PLC
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
PERIOD ENDED 31 AUGUST 2000**



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ABERCORN EDUCATION PLC

COMPANY INFORMATION

Directors:	A S Greystoke BA (Hons) A M F Greystoke
Secretary:	Connaught Secretaries Limited
Registered office:	42 - 46 High Street Esher Surrey KT10 9QY
Registered number:	3930321
Auditors:	Moore Stephens Registered Auditors Chartered Accountants 57 London Road Enfield Middlesex EN2 6SW
Bankers:	Barclays Bank plc Hatton Garden Business Centre 99 Hatton Garden London EC1N 8DN

ABERCORN EDUCATION PLC

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DIRECTORS' REPORT**For the period ended 31 August 2000**

The directors present their report together with the audited financial statements of the group for the period from its date of incorporation on 16 February 2000 until 31 August 2000.

Results and Dividends

The profit and loss account of the group appears on page 4 and discloses a profit after taxation of £5,105. The directors do not propose to pay any dividends, and the full amount of the profit is credited to reserves.

Principal Activity

The principal activity of the company in the period was the management of its subsidiary undertaking. The subsidiary undertaking is engaged in the activity of running a nursery, pre-preparatory and preparatory school.

Review of Business and Future Developments

The directors are satisfied with the results for the group in this initial period and expect to report on improved profitability in future years.

Directors and their interests

The directors in office in the period and their beneficial interests in the company at the balance sheet date were as follows:

	Ordinary Shares Of £1 each
A S Greystoke BA (Hons)	2
A M F Greystoke	-

Creditor Payment Policy

The group's current policy concerning the payment of the majority of its trade creditors is as follows:

- (a) settle the terms of the payment with those suppliers when agreeing the transaction;
- (b) ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms on contracts; and
- (c) pay in accordance with its contractual and other legal obligations.

The payment policy applies to total payments made to creditors for revenue and capital supplies of goods and services without exception.

Creditors Payment Practice

The number of days which the trade creditors represent in relation to amounts invoiced by suppliers was 21 days.

DIRECTORS' REPORT (CONTINUED)
For the period ended 31 August 2000

Directors' Responsibilities

Company law requires directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that year. In preparing those financial statements, the director is 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, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

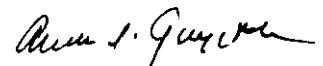
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution for the reappointment of Moore Stephens as auditors will be put to the members at the annual general meeting.

REGISTERED OFFICE

42 - 46 High Street
Esher
Surrey KT10 9QY

BY ORDER OF THE BOARD:

A S GREYSTOKE

Director

14 FEBRUARY 2001

To the shareholders of ABERCORN EDUCATION PLC

We have audited the financial statements on pages 4 to 15 which have been prepared under the historical cost convention and accounting policies set out on page 8.

Respective Responsibilities of Directors and Auditors

As described on page 2 the company's director is responsible for the preparation of the 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 director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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 group's and the company's affairs as at 31 August 2000 and of the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

57 London Road
Enfield
Middlesex
EN2 6SW

14 FEBRUARY 2001

Moore Stephens

MOORE STEPHENS

REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the period ended 31 August 2000

	<u>Notes</u>	<u>Period Ended</u> <u>31 August 2000</u>
		£
Turnover	1	541,444
Cost of sales		303,716
Gross Profit		<u>237,728</u>
Administrative expenses		207,963
Operating Profit	2	<u>29,765</u>
Interest payable and similar charges	4	<u>(12,637)</u>
Profit on Ordinary Activities before Taxation		17,128
Taxation on profit on ordinary activities	5	<u>(4,049)</u>
Profit on Ordinary Activities after Taxation		<u><u>13,079</u></u>

All of the above derives from acquisitions, a sub category of continuing activities.

Total Recognised Gains and Losses

The group had no recognised gains or losses other than the profit for the above period.

CONSOLIDATED BALANCE SHEET
As at 31 August 2000

	<u>Notes</u>	<u>2000</u>	
		£	£
Fixed Assets			
Intangible assets	8		303,524
Tangible fixed assets	9		1,287,705
			<u>1,591,229</u>
Current Assets			
Debtors	11	41,753	
Cash at bank and in hand		132,985	
		<u>174,738</u>	
Creditors: amounts falling due within one year	12	579,204	
		<u></u>	
Net Current Liabilities			<u>(404,466)</u>
Total Assets Less Current Liabilities			1,186,763
Creditors: amounts falling due after more than one year	13		1,173,682
			<u>13,081</u>
Net Assets			<u>13,081</u>
Capital and Reserves			
Called up share capital	15		2
Profit and loss account	16		13,079
			<u>13,081</u>
Equity Shareholders' Funds	17		<u>13,081</u>

Approved by the Board of Directors:-

A S GREYSTOKE

Andrew S. Greystoke

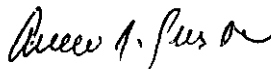
DIRECTOR

14 FEBRUARY 2001

BALANCE SHEET
As at 31 August 2000

	<u>Notes</u>	<u>2000</u>	
		£	£
Fixed Assets			
Investments	10		669,917
Current Assets			
Debtors	11	2	
Cash at bank and in hand		2,825	
		<u>2,827</u>	
Creditors: amounts falling due within one year	12	29,144	
		<u></u>	
Net Current Liabilities			<u>(26,317)</u>
Total Assets Less Current Liabilities			643,600
Creditors: amounts falling due after one year	13		<u>(644,273)</u>
Net Liabilities			<u>(673)</u>
Capital and Reserves			
Called up share capital	15	2	
Profit and loss account	16	(675)	
		<u></u>	
Equity Shareholders' Funds	17		<u>(673)</u>

Approved by the Board of Directors:-


A S GREYSTOKE

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DIRECTOR

14 FEBRUARY 2001

CONSOLIDATED CASH FLOW STATEMENT
for the period ended 31 August 2000

	<u>Notes</u>	<u>2000</u>
		£
NET CASH (INFLOW) FROM OPERATING ACTIVITIES	19	170,510
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	20	(12,637)
ACQUISITIONS		77,334
CASH INFLOW BEFORE FINANCING		235,207
FINANCING	20	(102,222)
INCREASE IN CASH IN PERIOD		<u>132,985</u>

**RECONCILIATION OF NET CASH FLOW
TO MOVEMENT IN NET FUNDS** 21

INCREASE IN CASH IN PERIOD	132,985
CASH FLOW FROM MOVEMENT IN FINANCING	<u>102,222</u>
MOVEMENT IN NET FUNDS IN THE PERIOD	235,207
NET DEBT ON ACQUISITION, INCLUDING ISSUE OF DEBENTURES	<u>(977,141)</u>
NET DEBT AT 31 AUGUST 2000	<u>(741,934)</u>

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 August 2000

1. Accounting Policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Consolidation

The consolidated accounts include the company and its subsidiary. In accordance with the provision of Section 230 of the Companies Act 1985, a separate profit and loss account for Abercorn Education plc is not presented. The profits and losses of the subsidiary undertaking are consolidated using the acquisition method.

(c) Turnover

Turnover represents external sales invoiced to customers excluding Value Added Tax.

(d) Depreciation

The group's policy is to provide depreciation at rates which are calculated to write off the cost of the tangible fixed assets over the following estimated useful lives:

Freehold Properties	-	2% straight line basis.
Short Leasehold Properties	-	Over the life of the lease.
Fixtures and fittings	-	20% on straight line basis.
Motor vehicles	-	25% on straight line basis.

(e) Goodwill

Goodwill arising on acquisitions represents the excess of the fair value of consideration less the fair value of net assets acquired. Goodwill is capitalised and amortised to the profit and loss account over its useful economic life. Goodwill is reviewed for impairment at the end of the first year following the acquisition and the resultant fall in value is charged to the profit and loss account.

(f) Deferred taxation

Deferred taxation is provided for under the liability method on timing differences other than those which are not expected to reverse in the foreseeable future calculated at the rate at which it is anticipated the timing differences will reverse.

2. Operating Profit

	<u>2000</u>
	£
The operating profit is stated after charging:-	
Depreciation of tangible assets.	12,879
Amortisation of intangible assets.	19,349
Auditors remuneration - Audit.	7,500
	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the period ended 31 August 2000

3. Information on Directors and Employees

	<u>2000</u> £
Staff costs:-	
Wages and salaries	261,544
Social security costs	6,609
	<u>268,153</u>

The average monthly number of employees during the year was made up as follows:-

	<u>2000</u> No.
Education	28
Administrative	4
Operatives	5
	<u>37</u>

	<u>2000</u> £
Director's emoluments:-	
Normal emoluments	37,602
Pension Costs	6,983
	<u>44,585</u>

4. Interest payable and similar charges

	<u>2000</u> £
Bank loans and overdrafts	9,886
Other loans	1,651
Lease finance charges	1,100
	<u>12,637</u>

5. Taxation

	<u>2000</u> £
UK Corporation Tax at 20%	<u>4,049</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the period ended 31 August 2000

6. Loss of the Parent Company

The parent company recorded a £675 loss for the financial period.

7. Pension Costs

The pension cost charge for the year amounted to £40,776.

A defined benefit scheme is operated through the Teachers' Pension Agency. Contributions payable to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employee's working lives in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of triennial valuations using the projected unit method.

8. Intangible Fixed Assets

	Goodwill £
Cost	
On acquisition and at 31 August 2000.	458,563
Amortisation	
On acquisition	135,690
Amortisation for the period.	19,349
At 31 August 2000.	155,039
Net Book Value	
At 31 August 2000	303,524

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the period ended 31 August 2000

9. Tangible Fixed Assets

	Land and Buildings £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost (or valuation)				
On acquisition	1,257,148	163,404	83,932	1,504,484
Disposals	-	-	(36,120)	(36,120)
At 31 August 2000	<u>1,257,148</u>	<u>163,404</u>	<u>47,812</u>	<u>1,468,364</u>
Depreciation				
On acquisition	18,359	130,318	55,223	203,900
Depreciation for the period	6,666	3,186	3,027	12,879
Disposals	-	-	(36,120)	(36,120)
At 31 August 2000	<u>25,025</u>	<u>133,504</u>	<u>22,130</u>	<u>180,659</u>
Net Book Value				
At 31 August 2000	<u>1,232,123</u>	<u>29,900</u>	<u>25,682</u>	<u>1,287,705</u>

The net book value of land and buildings is split as follows:

	<u>2000</u> £
Freehold	1,230,000
Short Leasehold	2,123
	<u>1,232,123</u>

Included within fixed assets are items with a cost of £47,812 which relates to assets held under finance leases. The net book value of these assets is £25,682. These assets were depreciated by £3,027 during the period.

10. Investments

The company has a beneficial interest in the issued ordinary share capital of the following company shown at cost:-

<u>Company and activity</u>	<u>Holdings and voting rights</u>	<u>Additional £</u>	<u>At 31 August 2000 £</u>
Abercorn School Limited - Provision of running a nursery, pre-preparatory and preparatory school.	100%	<u>669,917</u>	<u>669,917</u>

Abercorn School Limited was acquired on 30 April 2000, for consideration of loan notes and cash (note 23).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the period ended 31 August 2000

11. Debtors

	<u>2000</u>	
	Group £	Company £
Trade debtors	26,442	-
Other debtors	5,000	-
Called up share capital unpaid	2	2
Prepayments and accrued income	10,309	-
	<u>41,753</u>	<u>2</u>

12. Creditors: amounts falling due within one year

	<u>2000</u>	
	Group £	Company £
Trade creditors	10,881	-
Bank loans and overdrafts	72,000	-
Finance Lease Creditors	16,566	-
Group Creditors	-	9,200
Other Creditors	479,757	19,944
	<u>579,204</u>	<u>29,144</u>

Included in 'Other Creditors' is £284,634 (1999 £197,642) of prepaid school fees and £96,832 (1999 £55,827) of deposits held.

13. Creditors: amounts falling due after more than one year

	<u>2000</u>	
	Group £	Company £
Debentures (note 14)	644,273	644,273
Bank loans and overdrafts	138,191	-
Finance lease creditors	3,889	-
Deposits held	387,329	-
	<u>1,173,682</u>	<u>644,273</u>

Amounts are due within the following periods

Between one and two years	88,566	-
Between two and five years	1,085,116	644,273
	<u>1,173,682</u>	<u>644,273</u>

The bank loans and overdrafts are secured by a first charge granted over the property owned by the group. The bank loan attracts interest at a variable rate of 3% above the base rate, and is repayable half yearly in equal instalments and it will be repaid on 30 April 2004. The bank's overall indebtedness is also secured by a charge granted over insurance policies over the life of the managing director.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the period ended 31 August 2000

14. Debentures

	<u>2000</u> £
Group and company	
6.25% redeemable debentures	644,273

Debentures were issued on 30 April 2000 as part of the consideration for the share capital in Abercorn School Limited. Redemption will be at the nominal value, 10 years from date of issue or earlier from any surplus cash flow, at the discretion of the board.

Interest is payable every six months in arrears. The first payment will be made on 16 October 2000.

The debentures are secured by way of a second fixed charge granted over the property owned by the group, to a maximum amount at any time of £750,000.

15. Called Up Share Capital

	<u>2000</u> £
Authorised	
50,000 ordinary shares of £1 each	50,000
Allotted and called up	
2 ordinary shares of £1 each	2

During the year the company issued 2 £1 ordinary shares at par for consideration of £2 which is outstanding in full. The issue was to set up the company.

16. Reserves

	<u>2000</u>	
	Group £	Company £
Profit and Loss Reserve		
Profit (Loss) for the period.	13,079	(675)
Balance as at 31 August 2000.	13,079	(675)

17. Reconciliation of Movements in Equity Shareholders' Funds

	<u>2000</u>	
	Group £	Company £
Profit (Loss) for the period	13,079	(675)
Issued share capital	2	2
Shareholders' Funds at 31 August 2000.	13,081	(673)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the period ended 31 August 2000

18. Group and Company Lease Commitments

Annual commitments under non-cancellable operating leases at 31 August 2000 were as follows:-

	<u>2000</u>	
	Group	Company
	£	£
Other		
Expiring:-		
In more than one year and less than five years	15,156	-

19. Reconciliation of operating profit to net cash inflow from operating activities

	<u>2000</u>
	£
Operating profit	29,765
Depreciation charges	32,228
Increase in debtors	(17,545)
Increase in creditors	126,062
Net cash inflow from operating activities:	170,510

20. Analysis of cash flows for headings netted in the cash flow statement

	<u>2000</u>
	£
Returns on investments and servicing of finance	
Bank interest paid.	(12,637)
Financing	
Repayment of bank loans	(100,000)
Capital element of finance lease payments	(2,222)
	(102,222)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the period ended 31 August 2000

21. Analysis of Changes in Net Debt

	<u>Cash Flow</u>	<u>Acquisitions</u>	<u>Other</u>	<u>At 31 August</u>
	<u>£</u>	<u>£</u>	<u>Changes</u>	<u>2000</u>
			<u>£</u>	<u>£</u>
Cash in hand and at bank	132,985	-	-	132,985
Debt due within one year	102,222	(90,788)	(100,000)	(88,566)
Debt due after one year	-	(886,353)	100,000	(786,353)
	<u>235,207</u>	<u>(977,141)</u>	<u>-</u>	<u>(741,934)</u>

22. Major Non-Cash Transactions

On 30 April 2000, the group acquired Abercorn School Limited for consideration of £669,917 (note 23). Of this consideration, £644,273 was satisfied by the issue of debentures. The balance of £25,644 was included within other creditors at the year end, to be satisfied with cash.

23. Purchase of Subsidiary Undertaking

	<u>2000</u>
	<u>£</u>
Net Assets acquired:-	
Intangible fixed assets	214,476
Tangible fixed assets	1,300,584
Debtors	24,206
Cash at bank and in hand	77,334
Creditors	(1,074,725)
	<u>541,875</u>
Goodwill	128,042
	<u>669,917</u>
Satisfied by:-	
Cash	25,644
Loan stock	644,273
	<u>669,917</u>

24. Ultimate Controlling Party

The ultimate controlling party is A S Greystoke, Director.