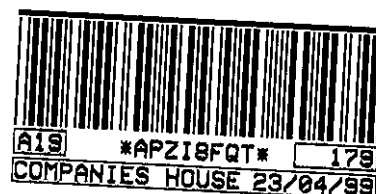


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the year ended 30 December 1998**

**Egerton Rothesay
School Limited**

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Egerton Rothesay School Limited

Company information

Directors

J R Adkins
F H Adkins

Secretary

C Martin

Company number

2226604

Registered office

St Thomas House
6 Becket Street
Oxford
OX1 1PP

Auditors

Mazars Neville Russell
St Thomas House
6 Becket Street
Oxford
OX1 1PP

Business address

Durrants Lane
Berkhamsted
Herts
HP4 3UJ

Bankers

The Cooperative Bank
2/6 Alma Street
Luton
Bedfordshire
LU1 1PN

Barclays Bank plc
PO Box 87, 22-24 Upper Marlborough Road
St Albans
Herts
AL1 3HJ

Egerton Rothesay School Limited

Directors' report For the year ended 30 December 1998

The directors present their report and financial statements for the year ended 30 December 1998.

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;
- 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.

Directors

The following directors have held office since 31 December 1997:

J R Adkins
F H Adkins

Directors' interests

The directors' beneficial interests in the shares of the company were as stated below:

	Ordinary shares of £1 each	
	30 December 1998	31 December 1997
J R Adkins	5,000	5,000
F H Adkins	5,000	5,000

Principal activities and review of the business

The principal activity of the company continued to be that of running an independent school. The principal activity of the subsidiary company, Egerton Rothesay Services Limited is to supply staff to Egerton Rothesay School Limited and to administer a PRP scheme.

Results and dividends

The results for the year are set out on page 4.

Year 2000

We are in the process of assessing the risks to the business in detail. We are considering not only our own systems but also those of our major suppliers and customers. Once our assessment is complete we will develop detailed plans to deal with any such risks as are identified.

Egerton Rothesay School Limited

Directors' report For the year ended 30 December 1998

Introduction of the Euro

We do not consider that the introduction of the euro will make any significant impact on the business.

Charitable contributions

During the year the company made charitable donations of £300 (1997 : £10).

Auditors

Mazars Neville Russell have signified their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the forthcoming annual general meeting.

By order of the board



J R Adkins

Director

12.4.99.....

Egerton Rothesay School Limited

Auditors' report

To the shareholders of Egerton Rothesay School Limited

We have audited the financial statements on pages 4 to 16 which have been prepared in accordance with the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 1 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 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Mazars Neville Russell.

MAZARS NEVILLE RUSSELL
CHARTERED ACCOUNTANTS
and Registered Auditors
St Thomas House
6 Becket Street
Oxford
OX1 1PP

12 April 1999

Egerton Rothesay School Limited

Profit and loss account For the year ended 30 December 1998

		1998 £	1997 £
Turnover	2	2,241,392	2,076,403
Cost of sales		(1,704,334)	(1,691,766)
Gross profit		<u>537,058</u>	<u>384,637</u>
Administrative expenses		(269,711)	(295,269)
Operating profit	3	<u>267,347</u>	<u>89,368</u>
Other interest receivable and similar income	4	104	-
Interest payable and similar charges	5	(84,065)	(102,443)
Profit/(loss) on ordinary activities before taxation		<u>183,386</u>	<u>(13,075)</u>
Tax on profit/(loss) on ordinary activities	8	(51,609)	2,481
Profit/(loss) on ordinary activities after taxation	16	<u><u>131,777</u></u>	<u><u>(10,594)</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

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

Egerton Rothesay School Limited

Balance sheet As at 30 December 1998

	Notes	1998 £	£	1997 £	£
Fixed assets					
Tangible assets	9	1,611,699		1,631,624	
Investments	10	100		100	
		<u>1,611,799</u>		<u>1,631,724</u>	
Current assets					
Stocks	11	18,994		26,000	
Debtors	12	83,211		98,944	
Cash at bank and in hand		15,920		3,570	
		<u>118,125</u>		<u>128,514</u>	
Creditors: amounts falling due within one year	13	<u>(727,018)</u>		<u>(844,956)</u>	
Net current liabilities			<u>(608,893)</u>		<u>(716,442)</u>
Total assets less current liabilities			1,002,906		915,282
Creditors: amounts falling due after more than one year	14		<u>(821,539)</u>		<u>(865,692)</u>
			<u>181,367</u>		<u>49,590</u>
Capital and reserves					
Share capital	15		10,000		10,000
Share premium account	16		5,269		5,269
Profit and loss account	16		166,098		34,321
Shareholders' funds - equity interests	17		<u>181,367</u>		<u>49,590</u>

The financial statements were approved by the Board on12.4.99


J R Adkins
Director

Egerton Rothesay School Limited

Cash flow statement For the year ended 30 December 1998

	1998 £	1997 £
Net cash inflow from operating activities	372,614	176,887
Returns on investments and servicing of finance		
Interest received	104	-
Interest paid	(84,065)	(106,926)
Net cash outflow for returns on investments and servicing of finance	(83,961)	(106,926)
Taxation	(2,175)	(18,714)
Capital expenditure		
Payments to acquire tangible assets	(27,723)	(8,202)
Receipts from sales of tangible assets	5,500	-
Net cash outflow for capital expenditure	(22,223)	(8,202)
Net cash inflow before management of liquid resources and financing	264,255	43,045
Repayment of long term bank loan	(104,359)	(95,217)
Increase in cash in the year	159,896	(52,172)

Egerton Rothesay School Limited

Notes to the financial statements For the year ended 30 December 1998

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

1.2 Turnover

Turnover represents the amounts invoiced, excluding value added tax, in respect of the sale of goods and services to customers.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Freehold	Nil
Fixtures, fittings & equipment	12.5% straight line
Motor vehicles	25% straight line

1.4 Leasing

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.5 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.6 Stock

Stock is valued at the lower of cost and net realisable value.

1.7 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with SSAP 24.

1.8 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

Egerton Rothesay School Limited

Notes to the financial statements For the year ended 30 December 1998

1.9 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertaking comprise a medium-sized group. The company has therefore taken advantage of the exemptions provided by section 248 of the Companies Act 1985 not to prepare group accounts.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating profit

	1998 £	1997 £
Operating profit is stated after charging:		
Depreciation of tangible assets	40,421	33,883
Operating lease rentals		
- Plant and machinery	37,209	29,778
Auditors' remuneration	2,500	2,500

4 Other interest receivable and similar income

	1998 £	1997 £
Bank interest	64	-
Other interest	40	-
	104	-

5 Interest payable

	1998 £	1997 £
On bank loans and overdrafts	14,418	25,739
On loans repayable after 5 years	64,112	78,962
On overdue tax	10	(4,483)
	84,065	102,443

Egerton Rothesay School Limited

Notes to the financial statements For the year ended 30 December 1998

6 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	1998 Number	1997 Number
Teaching	95	96
Domestic	17	26
Administration	8	7
	<u>120</u>	<u>129</u>

Employment costs

	£	£
Wages and salaries	1,301,878	1,251,247
Social security costs	16,830	85,564
Other pension costs	38,659	39,726
	<u>1,357,367</u>	<u>1,376,537</u>

7 Directors' emoluments

	1998 £	1997 £
Emoluments for qualifying services	78,322	51,663
Company pension contributions to money purchase schemes	3,193	1,936
	<u>81,515</u>	<u>53,599</u>

8 Taxation

	1998 £	1997 £
U.K. current year taxation		
U.K. corporation tax at 21% (1997 - 21%)	45,000	2,200
Prior years		
U.K. corporation tax	6,609	(4,681)
	<u>51,609</u>	<u>(2,481)</u>

Egerton Rothesay School Limited

Notes to the financial statements For the year ended 30 December 1998

9 Tangible fixed assets

	Land and buildings Freehold £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost				
At 31 December 1997	1,341,132	385,975	21,437	1,748,544
Additions	-	15,343	12,380	27,723
Disposals	-	-	(21,437)	(21,437)
	<u>1,341,132</u>	<u>401,318</u>	<u>12,380</u>	<u>1,754,830</u>
At 30 December 1998	1,341,132	401,318	12,380	1,754,830
Depreciation				
At 31 December 1997	-	102,710	14,212	116,922
On disposals	-	-	(14,212)	(14,212)
Charge for the year	-	37,326	3,095	40,421
	<u>-</u>	<u>140,036</u>	<u>3,095</u>	<u>143,131</u>
At 30 December 1998	-	140,036	3,095	143,131
Net book value				
At 30 December 1998	1,341,132	261,282	9,285	1,611,699
	<u>1,341,132</u>	<u>261,282</u>	<u>9,285</u>	<u>1,611,699</u>
At 30 December 1997	1,341,132	283,267	7,225	1,631,624
	<u>1,341,132</u>	<u>283,267</u>	<u>7,225</u>	<u>1,631,624</u>

Included above are assets held under finance leases or hire purchase contracts as follows:

	Motor vehicles £
Net book values	
At 30 December 1998	9,285
	<u>9,285</u>
At 30 December 1997	7,225
Depreciation charge for the year	
30 December 1998	3,095
	<u>3,095</u>
30 December 1997	2,409

Egerton Rothesay School Limited

Notes to the financial statements For the year ended 30 December 1998

10 Fixed asset investments

Shares in
subsidiary
undertakings
£

Cost

At 31 December 1997 & at 30 December 1998

100

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
Subsidiary undertakings			
Egerton Rothesay Services Limited	England and Wales	Ordinary	100

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and Profit for the	
	reserves	year
Egerton Rothesay Services Limited	9,977	5,350

11 Stocks

	1998	1997
	£	£
Raw materials and consumables	16,941	23,400
Finished goods and goods for resale	2,053	2,600
	<u>18,994</u>	<u>26,000</u>

Egerton Rothesay School Limited

Notes to the financial statements For the year ended 30 December 1998

12 Debtors	1998 £	1997 £
Trade debtors	61,004	75,998
Corporation tax	3,517	3,517
Other debtors	159	119
Prepayments and accrued income	18,531	19,310
	<u>83,211</u>	<u>98,944</u>

Trade debtors are stated net of a provision of £101,558 (1997 : £90,282).

13 Creditors: amounts falling due within one year	1998 £	1997 £
Bank loans and overdrafts	133,320	334,672
Payments received on account	320,177	290,442
Trade creditors	40,614	38,275
Amounts owed to subsidiary undertakings	80,464	59,065
Corporation tax	51,634	2,200
Directors' current accounts	5,431	-
Other creditors	82,235	102,353
Accruals and deferred income	13,143	17,949
	<u>727,018</u>	<u>844,956</u>

Egerton Rothesay School Limited

Notes to the financial statements For the year ended 30 December 1998

14 Creditors: amounts falling due after more than one year	1998 £	1997 £
Bank loans	638,835	681,390
Other loans	11,000	19,000
Net obligations under finance leases and hire purchase agreements	6,402	-
Directors current account	165,302	165,302
	<u>821,539</u>	<u>865,692</u>
Analysis of loans		
Not wholly repayable within five years by instalments:		
Bank Loan	-	800,937
Wholly repayable within five years	696,578	-
	<u>696,578</u>	<u>800,937</u>
Included in current liabilities	(46,743)	(100,547)
	<u>649,835</u>	<u>700,390</u>
Loan maturity analysis		
Between one and two years	137,000	120,000
Between two and five years	512,835	460,000
In five years or more	-	101,391
	<u></u>	<u></u>
The loan is secured by a fixed charge over the freehold property. The bank loan bears interest at a rate which fluctuates in line with the inter-bank rate. At the year end the rate was 3% above base which has been fixed at 6.4% for five years.		
Net obligations under finance leases and hire purchase contracts		
Repayable within one year	-	5,255
Repayable between one and five years	6,402	-
	<u>6,402</u>	<u>5,255</u>
	<u>6,402</u>	<u>5,255</u>

Egerton Rothesay School Limited

Notes to the financial statements For the year ended 30 December 1998

15 Share capital	1998	1997
	£	£
Authorised		
10,000 Ordinary shares of £1 each	10,000	10,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
10,000 Ordinary shares of £1 each	10,000	10,000
	<u> </u>	<u> </u>
16 Statement of movements on reserves		
	Share premium account	Profit and loss account
	£	£
Balance at 31 December 1997	5,269	34,321
Retained profit for the year	-	131,777
	<u> </u>	<u> </u>
Balance at 30 December 1998	5,269	166,098
	<u> </u>	<u> </u>
17 Reconciliation of movements in shareholders' funds	1998	1997
	£	£
Profit/(Loss) for the financial year	131,777	(10,594)
Opening shareholders' funds	49,590	60,184
	<u> </u>	<u> </u>
Closing shareholders' funds	181,367	49,590
	<u> </u>	<u> </u>
18 Reconciliation of operating profit to net cash inflow from operating activities	1998	1997
	£	£
Operating profit	267,347	89,368
Depreciation of tangible assets	40,421	33,883
Loss on disposal of tangible assets	1,725	-
Decrease/(increase) in stocks	7,006	(500)
Decrease in debtors	15,733	14,475
Increase in creditors within one year	40,382	39,661
	<u> </u>	<u> </u>
Net cash inflow from operating activities	372,614	176,887
	<u> </u>	<u> </u>

Egerton Rothesay School Limited

Notes to the financial statements For the year ended 30 December 1998

19 Analysis of net debt	31 December 1997	Cash flow	Other non-cash changes	30 December 1998
	£	£	£	£
Net cash:				
Cash at bank and in hand	3,570	12,350		15,920
Bank overdrafts	(234,125)	147,548		(86,577)
	<u>(230,555)</u>	<u>159,898</u>		<u>(70,657)</u>
Debt:				
Finance leases	-	(6,402)	-	(6,402)
Debts falling due within one year	(100,547)	53,804	-	(46,743)
Debts falling due after one year	(700,390)	50,555	-	(649,835)
	<u>(800,937)</u>	<u>97,957</u>	<u>-</u>	<u>(702,980)</u>
Net debt	<u>(1,031,492)</u>	<u>257,855</u>	<u>-</u>	<u>(773,637)</u>
20 Reconciliation of net cash flow to movement in net debt				
			1998	1997
			£	£
Increase/(decrease) in cash in the year			159,898	(52,172)
Cash outflow from decrease in debt and lease financing			97,957	95,217
Movement in net debt in the year			<u>257,855</u>	<u>43,045</u>
Opening net debt			(1,031,492)	(1,074,537)
Closing net debt			<u>(773,637)</u>	<u>(1,031,492)</u>

21 Pension costs

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. The pension cost charge represents contributions payable by the company to the fund and amounted to £38,659 (1997 - £39,726). Contributions totalling £6,696 (1997 - £3,875) were payable to the fund at the year end and are included in creditors.

Egerton Rothesay School Limited

Notes to the financial statements For the year ended 30 December 1998

22 Financial commitments

At 30 December 1998 the company had annual commitments under non-cancellable operating leases as follows:

	1998 £	1997 £
Expiry date:		
Within one year	1,425	1,710
Between two and five years	14,444	11,208
In over five years	-	6,750
	<u>15,869</u>	<u>19,668</u>

23 Related party transactions

The subsidiary undertaking, Egerton Rothesay Services Limited, supplies teaching, administration and domestic staff to the school. A charge of £993,962 was made to the school by the service company for these services in the year ended 30 December 1998 (1997 : £943,843). At 30 December 1998 Egerton Rothesay School Limited owed £80,464 to Egerton Rothesay Services Limited. £2,866 were paid for by the school on behalf of PAKT, a company for which J Adkins is a director. Egerton Rothesay School Limited pay the audit fee for The Rothesay Trust as a donation each year. This amounts to approximately £800.

24 Control

Ultimate control is held by Mr J R Adknis and Mrs F H Adkins by virtue of them each holding 50% of the issued share capital.