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**HIGHFIELD SCHOOL (LIPHOOK) LIMITED
REPORT AND FINANCIAL STATEMENTS
31 AUGUST 2002**

COMPANY NUMBER: 1220993



Birch Sergeant
Chartered Accountants
The Oast House
Park Row
Farnham
Surrey
GU9 7JH

**HIGHFIELD SCHOOL (LIPHOOK) LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2002**

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HIGHFIELD SCHOOL (LIPHOOK) LIMITED
DIRECTORS' REPORT

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The directors present their report and the audited financial statements for the year ended 31 August 2002.

Principal Activities

The company's principal activity is the provision of preparatory school education for boys and girls.

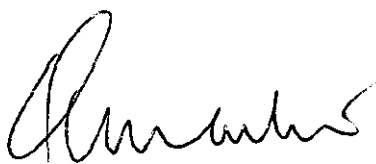
Directors

The directors who held office throughout the year and their interest in the shares of the company were as follows:

	Number of ordinary shares of £1 each	
	31 August 2002	31 August 2001
A E Herring (resigned 31/12/01)	-	-
W S Mills	4,999	4,999
J W Wardrobe	-	-
C J C Martin	-	-
J A Herring	-	-
Mrs D Jenner	-	-
P G S Evitt	-	-
J Leigh	-	-

The directors' report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 applicable to small companies.

BY ORDER OF THE BOARD



C J C Martin
SECRETARY

Registered office:

Highfield School
Highfield Lane
Liphook
Hampshire
GU30 7LQ

15th day 2003

HIGHFIELD SCHOOL (LIPHOOK) LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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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 these 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, subject to any material departures disclosed and explained in the financial statements,
- 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.

**INDEPENDENT AUDITORS' REPORT TO THE
SHAREHOLDERS OF HIGHFIELD SCHOOL (LIPHOOK) LIMITED**

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We have audited the financial statements of Highfield School (Liphook) Limited for the year ended 31 August 2002 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit or if information specified by law regarding Directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent mis-statements within it.

Basis of Opinion

We conducted our audit in accordance with United Kingdom 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.

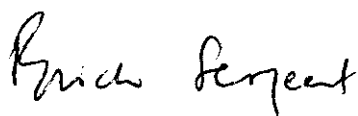
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE
SHAREHOLDERS OF HIGHFIELD SCHOOL (LIPHOOK) LIMITED**

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Opinion

In our opinion the financial statements give a true & fair view of the state of the company's affairs at 31 August 2002 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.



BIRCH SERGEANT

Chartered Accountants

Registered Auditors

15th May 2003

The Oast House
Park Row
Farnham
Surrey
GU9 7JH

HIGHFIELD SCHOOL (LIPHOOK) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2002

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	Notes	2002 £	2001 £
Turnover	1b	2,113,612	1,897,194
Cost of sales		<u>(1,174,691)</u>	<u>(1,062,179)</u>
Gross Profit		938,921	835,015
Administrative expenses		<u>(866,285)</u>	<u>(725,271)</u>
Operating Profit	2	72,636	109,744
Interest received		-	-
Interest payable		<u>45,995</u>	<u>49,147</u>
Profit on Ordinary Activities Before Taxation		26,641	60,597
Tax on ordinary activities	3	<u>11,348</u>	<u>21,476</u>
Profit for the Financial Year		<u><u>15,293</u></u>	<u><u>39,121</u></u>

Statement of Recognised Gains and Losses


There are no gains or losses other than the profit for the years as shown.

HIGHFIELD SCHOOL (LIPHOOK) LIMITED
BALANCE SHEET
AT 31 AUGUST 2002

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	Notes	2002 £	2001 £
Fixed Assets			
Tangible assets	4	1,600,959	1,616,494
Current Assets			
Stock	5	30,413	13,179
Debtors	6	105,095	133,795
Cash at bank and in hand		232	27
		<u>135,740</u>	<u>147,001</u>
Creditors - amounts falling due within one year	7	<u>755,271</u>	<u>705,728</u>
Net Current Liabilities		<u>(619,531)</u>	<u>(558,727)</u>
Total Assets Less Current Liabilities		981,428	1,057,767
Creditors - amounts due after more than one year	8	(510,000)	(600,000)
Provision for liabilities and charges	3	<u>(8,138)</u>	<u>(9,770)</u>
Net Assets		<u><u>463,290</u></u>	<u><u>447,997</u></u>
Capital and Reserves			
Share capital	10	5,000	5,000
Other reserves	11	-	6,583
Profit and loss account	9	<u>458,290</u>	<u>436,414</u>
Shareholders Funds		<u><u>463,290</u></u>	<u><u>447,997</u></u>

The financial statements on pages 5 to 15 were approved by the board of directors on
14th May 2003 and were signed on its behalf by:


W S Mills Director

HIGHFIELD SCHOOL (LIPHOOK) LIMITED
CASH FLOW STATEMENT
31 AUGUST 2002

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	Notes	2002 £	2001 £
Net cash inflow from operating activities	A	300,515	43,277
Returns on investments and servicing of finance	B	(45,995)	(49,157)
Taxation			
Corporation tax paid		(20,254)	-
Refund received		7	12,233
Capital Expenditure	B	(67,939)	(118,022)
Acquisitions and disposals	B	-	-
Net cash inflow		166,334	(111,669)
Financing	B	(90,000)	-
Increase in cash in the period		<u>76,334</u>	<u>(111,669)</u>
Reconciliation of net cashflow to movement in net debt	C		
Increase in cash during the year		76,334	(111,669)
Cash outflow from decrease in debt and lease financing		<u>90,000</u>	<u>-</u>
Change in net debt resulting from cash flows		<u>166,334</u>	<u>(111,669)</u>
Movement in net debt for year		166,334	(111,669)
Net funds at 1 September 2001		<u>(996,873)</u>	<u>(885,204)</u>
Net funds at 31 August 2002		<u>(830,539)</u>	<u>(996,873)</u>

HIGHFIELD SCHOOL (LIPHOOK) LIMITED
NOTES TO THE CASH FLOW STATEMENT
31 AUGUST 2002

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	2002 £	2001 £
A. Reconciliation of operating profits/(losses) to net cash inflow from operating activities		
Operating profit	72,636	109,744
Depreciation charges	83,474	74,697
Profit/(loss) on sale of fixed assets	-	637
Increase in stock	(17,234)	(348)
(Increase)/decrease in debtors	28,700	(34,285)
Increase/(decrease) in creditors	132,939	(107,168)
Net cash inflow from operating activities	<u>300,515</u>	<u>43,277</u>
B. Analysis of cash flows for headings netted in the cash flow statement		
Returns on investments and servicing of finance		
Interest received	-	-
Interest paid	<u>(45,995)</u>	<u>(49,157)</u>
Net cash inflow for returns on investments and servicing of finance	<u>(45,995)</u>	<u>(49,157)</u>
Capital expenditure		
Purchase of tangible fixed assets	(67,939)	(118,660)
Sale of tangible fixed assets	<u>-</u>	<u>638</u>
Net cash outflow for capital expenditure	<u>(67,939)</u>	<u>(118,022)</u>
Acquisitions and disposals		
Purchase of investments in subsidiary undertakings	<u>-</u>	<u>-</u>
Financing		
Long term loan repayments	(15,000)	-
Bank loan repayments	<u>(75,000)</u>	<u>-</u>
	<u>(90,000)</u>	<u>-</u>

HIGHFIELD SCHOOL (LIPHOOK) LIMITED
NOTES TO THE CASH FLOW STATEMENT
31 AUGUST 2002

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C. Analysis of changes in net debt

	At 1.9.01 £	Cash flow £	Other non-cash changes £	At 31.8.02 £
Net cash				
Cash at bank and in hand	(321,873)	76,334	-	(245,539)
Debt	(675,000)	90,000	-	(585,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>(996,873)</u>	<u>166,334</u>	<u>-</u>	<u>(830,539)</u>

Analysed in Balance Sheet

Cash at bank and in hand	27	232
Overdraft	(321,900)	(245,771)
Bank loan		
- within one year	(75,000)	(75,000)
- after one year	(300,000)	(225,000)
Long term loan	(300,000)	(285,000)
	<hr/>	<hr/>
	<u>(996,873)</u>	<u>(830,539)</u>

HIGHFIELD SCHOOL (LIPHOOK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2002

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1. Accounting Policies

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the company's accounts.

a) Basis of Accounting

The accounts have been prepared under the historical cost basis of accounting.

b) Turnover

Turnover represents the total amount receivable by the company from the provision of educational services.

c) Deferred Taxation

Deferred taxation arises when items are recognised for tax purposes in periods that differ from the periods in which the items are recognised for accounting purposes. The company provides for deferred taxation at the current rate of tax on timing differences, except where it can be reasonably demonstrated that no corporation tax liabilities will arise in the foreseeable future.

d) Depreciation

Depreciation is charged on a straight-line basis at such a rate as will write off the cost or valuation, less estimated residual value, of the assets over their expected useful life. The rates used are as follows:

Computers	33%
Farm implements	25%
Motor vehicles	20%
Fixtures fittings & equipment	10%
Freehold land and buildings	2%

e) Pension Costs

The regular cost of providing retirement pensions and related benefits is charged to the profit and loss account over the employees' service lives on the basis of a constant percentage of earnings.

2. Operating Profit

Is stated after charging :

	2002 £	2001 £
Auditors' remuneration	4,050	3,950
Directors' emoluments	101,525	96,270
Depreciation	83,474	74,697

HIGHFIELD SCHOOL (LIPHOOK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 AUGUST 2002

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	2002 £	2001 £
3. Taxation		
a) Profit and Loss Account		
United Kingdom corporation tax at the rate applicable to small companies on the ordinary activities for the period	12,987	20,254
Under/(over) provision prior year	(7)	3,091
Deferred taxation	<u>(1,632)</u>	<u>(1,869)</u>
	<u>11,348</u>	<u>21,476</u>
b) Deferred Taxation		
	2002 Full potential liability and provision made £	2001 Full potential liability and provision made £
Capital allowances in advance of depreciation	<u>8,138</u>	<u>9,770</u>
Deferred taxation		
Balance at 1 September 2001	9,770	11,639
Transfer to the Profit and Loss Account	<u>(1,632)</u>	<u>(1,869)</u>
Balance at 31 August 2002	<u>8,138</u>	<u>9,770</u>

HIGHFIELD SCHOOL (LIPHOOK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 AUGUST 2002

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4. Tangible Fixed Assets

	Freehold Land & Buildings £	Motor Vehicles £	Fixtures Fittings & Equipment £	Computers £	Total £
Cost or Valuation					
At 1 September 2001	1,665,880	14,700	285,606	60,610	2,026,796
Additions	7,270	-	41,031	19,638	67,939
Disposals	-	-	-	-	-
At 31 August 2002	<u>1,673,150</u>	<u>14,700</u>	<u>326,637</u>	<u>80,248</u>	<u>2,094,735</u>
Depreciation					
At 1 September 2001	177,161	8,430	185,319	39,392	410,302
Charge for year	33,463	2,590	20,674	26,747	83,474
Reversed	-	-	-	-	-
At 31 August 2002	<u>210,624</u>	<u>11,020</u>	<u>205,993</u>	<u>66,139</u>	<u>493,776</u>
Net Book Value					
As at 31 August 2002	<u>1,462,526</u>	<u>3,680</u>	<u>120,644</u>	<u>14,109</u>	<u>1,600,959</u>
As at 31 August 2001	<u>1,488,719</u>	<u>6,270</u>	<u>100,287</u>	<u>21,218</u>	<u>1,616,494</u>

	2002 £	2001 £
5. Stock		
Consumables	11,163	8,728
Goods for resale	<u>19,250</u>	<u>4,451</u>
	<u>30,413</u>	<u>13,179</u>
6. Debtors		
Trade debtors	54,906	76,440
Other debtors	42,575	53,137
Prepayments	<u>7,614</u>	<u>4,218</u>
	<u>105,095</u>	<u>133,795</u>

HIGHFIELD SCHOOL (LIPHOOK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 AUGUST 2002

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	2002 £	2001 £
7. Creditors: Amounts Falling Due Within One Year		
Bank overdraft	245,771	321,900
Trade creditors	67,514	68,764
Other creditors	45,414	42,017
Other taxation and social security	22,468	19,489
Corporation tax	12,987	20,254
Accruals and deferred income	286,117	158,304
Bank loan	75,000	75,000
	<u>755,271</u>	<u>705,728</u>
8. Creditors: Amounts Falling Due After More Than One Year		
Long term loan	285,000	300,000
Bank loan	225,000	300,000
	<u>510,000</u>	<u>600,000</u>
The bank overdraft and loan are secured by a fixed charge over the freehold property.		
9. Profit and Loss Account		
As at 1 September 2001	436,414	397,303
Transfer to/from reserves	21,876	39,111
	<u>458,290</u>	<u>436,414</u>
10. Share Capital		
Authorised, allotted, called up and fully paid:		
5,000 Ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
11. Reserves		
Capital Reserve - As at 1 September 2001	6,583	6,583
Transfer to Profit and Loss Account	(6,583)	-
Capital Reserve - As at 31 August 2002	<u>-</u>	<u>6,583</u>
12. Capital Commitments		
There were no capital commitments at 31 August 2002 (2001: £nil).		

HIGHFIELD SCHOOL (LIPHOOK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 AUGUST 2002

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13. Contingent Liabilities

There were no contingent liabilities at 31 August 2002 (2001: £Nil).

14. Pension Commitments

The teaching staff are members of the DFE Teachers' Pension Agency Teachers' Superannuations Scheme, which is a defined benefit scheme. The assets of the scheme are held separately from those of the School in an independently administered fund. The pension costs charge represents the contributions payable by the School to the scheme and amounted to £50,391 during the year ended 31 August 2002 (2001: £42,449).

The School also operates several defined contribution schemes. The assets are held separately from those of the School in independently administered funds. The pension cost charge represents contributions payable by the School to the funds and amounted to £15,178 during the year ended 31 August 2002 (2001: £12,777).

15. Related Party Transactions

During the year the company provided catering, housekeeping and other running costs amounting to £77,473 (2001: £61,318) to Brookham Property (Liphook) Ltd, company under the control of the director, W S Mills. At 31 August 2002 Brookham Property (Liphook) Ltd owed £26,639 (2001: £42,921) to the company. During the year the company paid loan interest amounting to £17,858 to Mrs E C Mills, wife of the director W S Mills, (2001: £18,000).

16. Obligations Under Operating Leases

At 31 August 2002 the company had annual commitments under a seven year operating lease as follows:

Expiry date:	2002 Land & Buildings	2001 Land & Buildings
Within one year	-	-
2 - 5 years	-	-
Over 5 years	10,380	10,380
	<u>10,380</u>	<u>10,380</u>

The company's lease of land and buildings is subject to a rent review every third year.

HIGHFIELD SCHOOL (LIPHOOK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 AUGUST 2002

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	2002 £	2001 £
17. Staff Costs		
Wages and salaries	968,185	886,700
Social security costs	84,186	65,864
Other pension costs	77,818	66,200
	<u>1,130,189</u>	<u>1,018,764</u>

The average number of employees during the year were:

Administration	16	16
Teachers	38	39
Management	<u>2</u>	<u>2</u>
	<u>56</u>	<u>57</u>