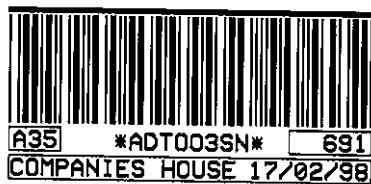


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Vale School (1980) Limited

Financial Statements

For the year ended

31 August 1997

Vale School (1980) Limited

Directors and officers

Directors

D B Harper
H A Harper
A L Lawrence
V J Harper

Secretary

Cargil Management Services Limited

Company number

1477936 (England and Wales)

Registered office

22 Melton Street
London NW1 2BW

Subsidiary companies

Eaton House School Limited
Vale Aviation Limited

Auditors

Grant Thornton
Chartered Accountants
Grant Thornton House
Melton Street
Euston Square
London NW1 2EP

Business address

58 Clapham Common Northside
Clapham
London SW4 9RU

Principal bankers

Bank of Ireland
20 Berkeley Square
London W1X 6LY

Vale School (1980) Limited

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Vale School (1980) Limited

Report of the directors

The directors submit their report and the financial statements of Vale School (1980) Limited for the year ended 31 August 1997.

Principal activities

The principal activity of the group is the provision of education. There are two schools, The Vale and The Manor. In addition, one of its subsidiaries, Vale Aviation Limited, hires out an aircraft.

Review of the business

The state of the company's affairs and the results for the financial year are set out in the attached financial statements.

The company has continued to trade profitably during the year.

Results and dividends

The trading profit for the year after taxation was £35,423 (1996: £49,111).

The directors do not recommend payment of a dividend.

It is proposed that the retained profit of £35,423 (1996: £49,111) is transferred to reserves.

Directors' interests

The directors who served during the year and their interests in the company were as stated below.

	Ordinary shares of £1 each	
	31 August 1997	1 September 1996
D B Harper*	103	103
H A Harper*	100	100
A L Lawrence	49	49
V J Harper	48	48

* Includes holdings held in trust

Vale School (1980) Limited

Report of the directors (continued)

Directors' responsibilities for the 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:

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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

Approved and signed on behalf of the Board
on 3 February 1998



D B Harper

Chairman

**Report of the auditors to the members of
Vale School (1980) Limited**

We have audited the financial statements on pages 4 to 12 which have been prepared under the accounting policies set out on page 6.

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.

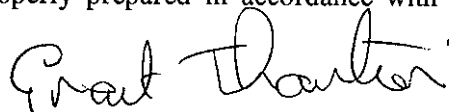
Basis of opinion

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 judgments 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 31 August 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



GRANT THORNTON

**Registered Auditors
Chartered Accountants**

LONDON

3 February 1998

Vale School (1980) Limited

Profit and loss account
for the year ended 31 August 1997

	Notes	1997 £	1996 £
Turnover	1	420,977	430,284
Administrative expenses		(384,989)	(379,162)
Operating profit		35,988	51,122
Other interest receivable and similar income	2	9,906	6,289
Profit on ordinary activities before taxation	1	45,894	57,411
Taxation	4	(10,471)	(8,300)
Profit for the financial year	11	35,423	49,111

All transactions arise from continuing operations.

All recognised gains and losses are included in the profit and loss account.


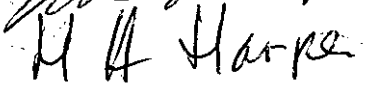
The accompanying accounting policies and notes form an integral part of these financial statements.

Vale School (1980) Limited

Balance sheet
as at 31 August 1997

	Notes	1997 £	1996 £
Fixed assets			
Intangible assets	5	4,500	5,400
Tangible assets	6	673,973	675,231
Investments	7	1,000	1,000
		<u>679,473</u>	<u>681,631</u>
Current assets			
Debtors	8	3,560	3,763
Cash at bank and in hand		183,242	192,739
		<u>186,802</u>	<u>196,502</u>
Creditors : amounts falling due within one year	9	<u>(157,433)</u>	<u>(204,714)</u>
Net current assets		29,369	(8,212)
Net assets		<u>708,842</u>	<u>673,419</u>
Capital and reserves			
Called up share capital	10	300	300
Profit and loss account	11	708,542	673,119
Shareholders' funds	12	<u>708,842</u>	<u>673,419</u>

The financial statements were approved by the Board on 3 February 1998

D B Harper  Directors
H A Harper 

The accompanying accounting policies and notes form an integral part of these financial statements.

Vale School (1980) Limited

Accounting Policies

The financial statements are prepared under the historical cost convention in accordance with applicable U.K. Accounting Standards. The company is exempt from producing a cash flow statement.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

Goodwill

Goodwill representing the excess of the fair value of the purchase price over the fair value of the separable net assets acquired is capitalised and written off over 20 years as in the opinion of the directors this represents the period over which the goodwill is effective.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less depreciation.

Depreciation is provided on all tangible fixed assets other than freehold land and buildings at rates calculated to write off the cost less estimated residual value over its expected useful life, as follows:-

Freehold land and buildings	Nil
Fixtures, fittings and equipment	33 1/3% on cost per annum

Investments

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

Leased assets

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

Pensions

The company provides a defined contribution pension scheme. The pension costs are charged to the profit and loss account when paid.

Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by virtue of Section 248 of the Companies Act 1985.

Turnover

Turnover represents amounts receivable for educational services provided during the academic year commencing each September.

Vale School (1980) Limited

Notes to the financial statements
for the year ended 31 August 1997

1. Turnover and profit on ordinary activities before taxation

The turnover of the company for the year has been derived from its principal activity wholly undertaken in the U.K.

	1997 £	1996 £
Profit on ordinary activities before taxation is stated after charging:		
Depreciation of intangible assets	900	900
Depreciation of tangible assets	3,985	3,529
Operating lease rentals:		
Equipment	-	458
Plant and machinery	5,133	4,277
Auditors' remuneration (including other services)	11,273	11,000

2. Other interest receivable and similar income

	1997 £	1996 £
Bank interest receivable	9,906	6,289

Vale School (1980) Limited

Notes to the financial statements (continued)
for the year ended 31 August 1997

3. Directors and employees

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

	1997 No.	1996 No.
Management and administration	4	4
Teaching	12	12
	<u>16</u>	<u>16</u>

	£	£
Staff costs for the above persons:		
Wages and salaries	259,031	242,124
Social security costs	18,604	22,101
Other pension costs	-	1,000
	<u>277,635</u>	<u>265,225</u>

Directors' remuneration

Emoluments	<u>50,681</u>	<u>35,761</u>
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4. Taxation

	1997 £	1996 £
Based on the profit for the year:		
UK Corporation tax at 23 % (1996 - 25%)	10,500	8,300
(Over) provided in earlier years	(29)	-
	<u>10,471</u>	<u>8,300</u>

Vale School (1980) Limited

Notes to the financial statements (continued)
for the year ended 31 August 1997

5. Intangible fixed assets

	Goodwill £
Cost:	
1 September 1996 and 31 August 1997	18,000
Provision for diminution in value:	
1 September 1996	12,600
Charge for year	900
31 August 1997	13,500
Net book value:	
31 August 1997	4,500
31 August 1996	5,400

6. Tangible fixed assets

	Freehold land and Buildings £	Fixtures, fittings and equipment £	Total £
Cost:			
1 September 1996	670,038	35,895	705,933
Additions	-	2,727	2,727
Disposals	-	(1,500)	(1,500)
31 August 1997	670,038	37,122	707,160
Depreciation:			
1 September 1996	-	30,702	30,702
Charge for year	-	3,985	3,985
On disposals	-	(1,500)	(1,500)
31 August 1997	-	33,187	33,187
Net book value:			
31 August 1997	670,038	3,935	673,973
31 August 1996	670,038	5,193	675,231

No depreciation is charged on the freehold buildings because the market value of the property is not materially different from book value.

Vale School (1980) Limited

Notes to the financial statements (continued)
for the year ended 31 August 1997

7. Fixed asset investments

Investment in subsidiary undertakings

	Shares £
Cost:	
1 September 1996 and 31 August 1997	1,100
Provisions for diminution in value:	
1 September 1996	100
31 August 1997	100
Net book value:	
31 August 1997	1,000
31 August 1996	1,000

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.

Company	Country of registration or incorporation	Shares held Class	%
Subsidiary undertakings			
Vale Aviation Limited	England and Wales	Ordinary	100
Eaton House School 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 reserves	Profit / (loss) for the year
Vale Aviation Limited	£(124,654)	£(14,483)
Eaton House School Limited	£(383,451)	£204,275

8. Debtors	1997 £	1996 £
Due within one year:		
Other debtors	45	45
Prepayments and accrued income	3,515	3,718
	3,560	3,763

Vale School (1980) Limited

Notes to the financial statements (continued)
for the year ended 31 August 1997

9. Creditors : amounts falling due within one year	1997 £	1996 £
Trade creditors	58,070	48,780
Amounts owed to group undertakings	58,883	115,079
Corporation tax	10,500	8,300
Other creditors	19,405	19,405
Accruals and deferred income	10,575	13,150
	<u>157,433</u>	<u>204,714</u>
10. Share capital	1997 £	1996 £
Authorised: 300 Ordinary shares of £1 each	<u>300</u>	<u>300</u>
Allotted, issued and fully paid: 300 Ordinary shares of £1 each	<u>300</u>	<u>300</u>
11. Profit and loss account	1997 £	1996 £
Balance at 1 September 1996	673,119	624,008
Retained for the year	35,423	49,111
Retained profits at 31 August 1997	<u>708,542</u>	<u>673,119</u>
12. Reconciliation of movements in shareholders' funds	1997 £	1996 £
Profit for the financial year	35,423	49,111
Opening shareholders' funds	673,419	624,308
Closing shareholders' funds	<u>708,842</u>	<u>673,419</u>
13. Capital commitments		

There were no capital commitments at 31 August 1997 or at 31 August 1996.

Vale School (1980) Limited

Notes to the financial statements (continued)
for the year ended 31 August 1997

14. Commitments under operating leases

At 31 August 1997 the company had annual commitments under non-cancellable operating leases as follows:

	1997 £	1996 £
Other:		
expiring within one year	4,368	4,368
expiring between two and five years	5,096	9,465
	<u>9,464</u>	<u>13,833</u>

15. Contingent liabilities

The company has given a cross guarantee to the Bank of Ireland in respect of Eaton House School Limited in the sum of £1,930,284 (1996:£2,038,226). There is a legal charge over the freehold property of the company to support this guarantee.

16. Pension commitments

The company provides a defined contribution pension scheme. The scheme's assets are held in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £0 (1996 £1,000). All contributions were paid in the year.