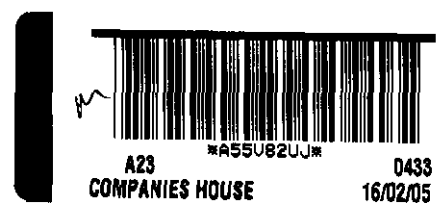


ACTIVE ENGLISH LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

**FOR THE PERIOD ENDED
31 AUGUST 2004**

COMPANY NUMBER: 3800313



ACTIVE ENGLISH LIMITED

COMPANY INFORMATION

DIRECTORS

R Lewis (resigned 03/03/2004)
SK Lewis (resigned 03/03/2004)
D J Walker (appointed 03/03/2004)
R M Clarke (appointed 03/03/2004)

SECRETARY

D S Korman

COMPANY NUMBER

3800313

REGISTERED OFFICE

Hill House
67-71 Lowlands
Harrow
Middlesex
HA1 3EQ

AUDITORS

Bentley Jennison
Chartered Accountants & Registered Auditors
Howard House
Queens Avenue
Clifton
Bristol
BS8 1QT

ACTIVE ENGLISH LIMITED

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ACTIVE ENGLISH LIMITED
DIRECTOR'S REPORT
For the period ended 31 August 2004

The directors present their report and the financial statements for the period ended 31 August 2004.

STATEMENT OF 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.

PRINCIPAL ACTIVITIES

The principal activity of the company continued to be the provision of english language education.

DIRECTORS

The directors who served during the period and their beneficial interests in the company's issued share capital were:

	Ordinary shares of £1 each	
	<u>31/8/04</u>	<u>1/10/03</u>
R Lewis (resigned 03/03/2004)	-	200,050
SK Lewis (resigned 03/03/2004)	-	200,050
D J Walker (appointed 03/03/2004)	-	-
R M Clarke (appointed 03/03/2004)	-	-

The directors holding office at 31 August 2004 did not hold any beneficial interest in the issued share capital of the company at the date of appointment or 31 August 2004.

The company's ultimate parent company as at 31 August 2004 was Ardmore Language Schools Limited, of which D J Walker is a shareholder. R M Clarke is a director and shareholder of Watermead Homes Limited, which owns shares in Ardmore Language Schools Limited.

AUDITORS


The auditors, Bentley Jennison, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

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

ACTIVE ENGLISH LIMITED

DIRECTOR'S REPORT
For the period ended 31 August 2004

This report was approved by the board on *8th February 2005* and signed on its behalf.


R M Clarke
Director

ACTIVE ENGLISH LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ACTIVE ENGLISH LIMITED

We have audited the financial statements of Active English Limited for the period ended 31 August 2004 set out on pages 5 to 14. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002) under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 8 to 9.

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 misstatements within it.

BASIS OF AUDIT 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.

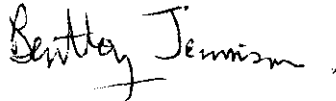
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

ACTIVE ENGLISH LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ACTIVE ENGLISH LIMITED

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 2004 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Bentley Jennison

Chartered Accountants
Registered Auditors

Howard House
Queens Avenue
Clifton
Bristol
BS8 1QT

Date: 15th February 2005.

ACTIVE ENGLISH LIMITED

PROFIT AND LOSS ACCOUNT
For the period ended 31 August 2004

	Note	Period ended 31 August 2004 £	Year ended 30 September 2003 £
TURNOVER	1	1,132,058	1,043,294
Cost of sales		(761,914)	(813,912)
GROSS PROFIT		370,144	229,382
Administrative expenses		(265,539)	(290,040)
OPERATING PROFIT/(LOSS)	2	104,605	(60,658)
EXCEPTIONAL ITEMS	4		
Other exceptional items		(366,004)	-
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST		(261,399)	(60,658)
Interest receivable		264	527
Interest payable		(10,546)	(351)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(271,681)	(60,482)
TAX ON LOSS ON ORDINARY ACTIVITIES	5	(12,155)	9,918
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(283,836)	(50,564)

The notes on pages 8 to 14 form part of these financial statements.

ACTIVE ENGLISH LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the period ended 31 August 2004

	Period ended 31 August 2004 £	Year ended 30 September 2003 £
LOSS FOR THE FINANCIAL PERIOD	(283,836)	(50,564)
Unrealised surplus on revaluation of properties	58,559	-
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE PERIOD	(225,277)	(50,564)

The notes on pages 8 to 14 form part of these financial statements.

ACTIVE ENGLISH LIMITED

BALANCE SHEET
As at 31 August 2004

	Note	31 August 2004		30 September 2003	
		£	£	£	£
FIXED ASSETS					
Intangible fixed assets	6		-		315,000
Tangible fixed assets	7		473,309		419,992
			<u>473,309</u>		<u>734,992</u>
CURRENT ASSETS					
Stocks		8,143		8,032	
Debtors	8	137,302		79,122	
Cash at bank and in hand		40,444		8,898	
		<u>185,889</u>		<u>96,052</u>	
CREDITORS: amounts falling due within one year	9	<u>(138,030)</u>		<u>(424,601)</u>	
NET CURRENT ASSETS/(LIABILITIES)			<u>47,859</u>		<u>(328,549)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>521,168</u>		<u>406,443</u>
CREDITORS: amounts falling due after more than one year	10		<u>(340,002)</u>		<u>-</u>
NET ASSETS			<u><u>181,166</u></u>		<u><u>406,443</u></u>
CAPITAL AND RESERVES					
Called up share capital	11		400,100		400,100
Revaluation reserve	12		58,559		-
Profit and loss account	12		<u>(277,493)</u>		<u>6,343</u>
SHAREHOLDERS' FUNDS			<u><u>181,166</u></u>		<u><u>406,443</u></u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The financial statements were approved by the board on 8th February 2005 and signed on its behalf.


D J Walker
Director

The notes on pages 8 to 14 form part of these financial statements.

ACTIVE ENGLISH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 August 2004

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

1.2 Cash flow

The financial statements do not include a cash flow statement because the company, as a small reporting entity, is exempt from the requirement to prepare such a statement under the Financial Reporting Standard for Smaller Entities (effective June 2002).

1.3 Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, exclusive of Value Added Tax and trade discounts.

1.4 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the profit and loss account over its estimated economic life. However, it is the directors' opinion that the goodwill has suffered a permanent diminution in value and it has therefore been written off in the current year.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold land and buildings	-	not depreciated
Fixtures, fittings and equipment	-	25% reducing balance

Freehold land and buildings have not been depreciated. They are included in the accounts at their revalued amount and will be regularly valued in accordance with FRS15.

1.6 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. 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.

1.7 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

ACTIVE ENGLISH LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
For the period ended 31 August 2004

1.8 Deferred taxation

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date, except for timing differences arising on revaluations of fixed assets which are not intended to be sold and gains on disposal of fixed assets which will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

2. OPERATING PROFIT/(LOSS)

The operating profit/(loss) is stated after charging:

	Period ended 31 August 2004	Year ended 30 September 2003
	£	£
Amortisation - intangible fixed assets	315,000	20,000
Depreciation of tangible fixed assets:		
- owned by the company	6,975	6,551
Auditors' remuneration	5,756	9,813
	=====	=====

3. DIRECTORS' REMUNERATION

	Period ended 31 August 2004	Year ended 30 September 2003
	£	£
Aggregate emoluments	2,572	11,783
	=====	=====

4. EXCEPTIONAL ITEMS

	Period ended 31 August 2004	Year ended 30 September 2003
	£	£
Costs of restructuring	51,004	-
Goodwill written off	315,000	-
	=====	=====
	366,004	-
	=====	=====

ACTIVE ENGLISH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 August 2004

5. TAXATION

	Period ended 31 August 2004 £	Year ended 30 September 2003 £
Analysis of tax charge in period		
UK corporation tax charge/(credit) on profit/(loss) of the period	11,200	(9,918)
Adjustments in respect of prior periods	955	-
Total current tax	<u>12,155</u>	<u>(9,918)</u>
Tax on profit/(loss) on ordinary activities	<u>12,155</u>	<u>(9,918)</u>

There were no factors that affected the tax charge for the period which has been calculated on the profits on ordinary activities before tax at the standard rate of corporation tax in the UK applicable to the company.

There were no factors that may affect future tax charges.

6. INTANGIBLE FIXED ASSETS

	Goodwill £	Total £
Cost		
At 1 October 2003 and 31 August 2004	<u>400,000</u>	<u>400,000</u>
Amortisation		
At 1 October 2003	85,000	85,000
Charge for the period	315,000	315,000
At 31 August 2004	<u>400,000</u>	<u>400,000</u>
Net book value		
At 31 August 2004	-	-
At 30 September 2003	<u>315,000</u>	<u>315,000</u>

Goodwill is valued by the directors at the year end.

ACTIVE ENGLISH LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 August 2004

7. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Fixtures, fittings and equipment £	Total £
Cost or valuation			
At 1 October 2003	407,752	141,553	549,305
Additions	-	1,733	1,733
Revaluation surplus/(deficit)	58,559	-	58,559
At 31 August 2004	<u>466,311</u>	<u>143,286</u>	<u>609,597</u>
Depreciation			
At 1 October 2003	16,311	113,002	129,313
Charge for the period	-	6,975	6,975
At 31 August 2004	<u>16,311</u>	<u>119,977</u>	<u>136,288</u>
Net book value			
At 31 August 2004	<u>450,000</u>	<u>23,309</u>	<u>473,309</u>
At 30 September 2003	<u>391,441</u>	<u>28,551</u>	<u>419,992</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	31 August 2004 £	30 September 2003 £
Fixtures, fittings and equipment	-	2,560

Freehold property was valued on an open market value basis on 17 December 2003 by J K Ross FRICS, for and on behalf of Ross & Co Chartered Surveyors. The property was valued at £450,000.

Cost or valuation at 31 August 2004 is as follows:

	Freehold land and buildings £
At cost	391,441
At valuation:	
Revaluation	58,559
	<u>450,000</u>

ACTIVE ENGLISH LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
For the period ended 31 August 2004

If the freehold land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	31 August 2004	30 September 2003
	£	£
Cost	407,752	407,752
Accumulated depreciation	16,311	16,311
Net book value	391,441	391,441

8. DEBTORS

	31 August 2004	30 September 2003
	£	£
Due within one year		
Trade debtors	46,767	51,008
Amounts owed by group undertakings	60,000	-
Other debtors	30,535	28,114
	137,302	79,122

9. CREDITORS:
Amounts falling due within one year

	31 August 2004	30 September 2003
	£	£
Bank loans and overdrafts	15,580	25,973
Net obligations under finance leases and hire purchase contracts	-	1,000
Trade creditors	23,279	46,689
Corporation tax	11,200	-
Social security and other taxes	11,784	6,991
Other creditors	76,187	343,948
	138,030	424,601

The bank loans and overdrafts are secured.

10. CREDITORS:
Amounts falling due after more than one year

	31 August 2004	30 September 2003
	£	£
Bank loans	340,002	-

ACTIVE ENGLISH LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
For the period ended 31 August 2004

Creditors include amounts not wholly repayable within 5 years as follows:

	31 August 2004	30 September 2003
	£	£
Repayable by instalments	252,345	-

The bank loan is repayable by monthly installments. There were 175 installments repayable at the period end. Interest is charged on the loan at 5.75%.

The bank loan is secured.

11. SHARE CAPITAL

	31 August 2004	30 September 2003
	£	£
Authorised		
500,000 Ordinary shares of £1 each	500,000	500,000
Allotted, called up and fully paid		
400,100 Ordinary shares of £1 each	400,100	400,100

12. RESERVES

Revaluation reserve	£
At 1 October 2003	-
Surplus on revaluation of freehold property	58,559
At 31 August 2004	58,559
Profit and loss account	£
At 1 October 2003	6,343
Loss retained for the period	(283,836)
At 31 August 2004	(277,493)

13. OPERATING LEASE COMMITMENTS

At 31 August 2004 the company had annual commitments under non-cancellable operating leases as follows:

	31 August 2004	30 September 2003
	£	£
Expiry date:		
Between 2 and 5 years	30,000	-

ACTIVE ENGLISH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 August 2004

14. RELATED PARTY TRANSACTIONS

At the year end the company was owed £60,000 (2003: £Nil) from Ardmore Language Schools Limited.

15. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent company is Ardmore Language Schools Limited, which owns 100% of the issued share capital of Active English Limited.