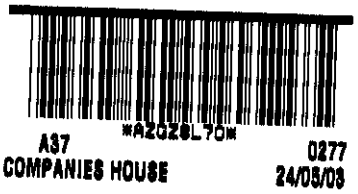
EXPLORE LEARNING LIMITED
REPORT AND FINANCIAL STATEMENTS
30 NOVEMBER 2002

COMPANY NUMBER: 4117281



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

EXPLORE LEARNING LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2002

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The directors present their report and the audited financial statements for the year ended 30 November 2002.

Principal Activities

The principal activity of the company is that of operating primary education centres.

Directors

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

	Number of ordinary shares of £1 each	
	30 November 2002	30 November 2001
W Mills	600	600
R Fitzgerald	-	-
P Freeman	125	50
A Tripp	-	-
W Hobhouse (appointed 25.9.02)	33	-

The report of the directors 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

R Hicks
Secretary
19th May 2003

Registered office:

The Oast House
Park Row
Farnham
Surrey
GU9 7JH

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 year. 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;
- prepare the financial statements on the going concern basis unless it is 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.

We have audited the financial statements of Explore Learning Limited for the year ended 30 November 2002 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 November 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Birch Sergeant.

BIRCH SERGEANT
Chartered Accountants
Registered Auditors

20th May 2003

The Oast House
Park Row
Farnham
Surrey
GU9 7JH

EXPLORE LEARNING LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 NOVEMBER 2002

	Notes	2002 £	2001 £
Turnover	1	159,839	3,497
Cost of sales		197,938	23,873
Gross Loss		(38,099)	(20,376)
Administrative expenses		529,215	373,349
Other operating income		-	20,000
Operating Loss		(567,314)	(373,725)
Interest receivable		9,886	15,631
Loss on Ordinary Activities before taxation	2	(557,428)	(358,094)
Taxation	3	-	-
Retained loss for the year		(557,428)	(358,094)

Statement of Recognised Gains and Losses

There are no gains or losses other than the loss for the year as shown.

There were no discontinued operations during the year.

EXPLORE LEARNING LIMITED
BALANCE SHEET
AT 30 NOVEMBER 2002

	Notes	2002 £	2002 £	2001 £	2001 £
Fixed Assets					
Tangible assets	4		276,876		55,801
Current Assets					
Debtors	5	50,188		34,503	
Cash at bank and in hand		719,972		203,260	
		770,160		237,763	
Creditors - amounts falling due within one year	6	184,149		27,033	
Net Current Assets			586,011		210,730
Total Assets less Current Liabilities			862,887		266,531
Provision for liabilities and charges	11		-		24,000
Net Assets			862,887		242,531
Capital and Reserves					
Share capital	7		2,175		1,225
Share premium account	9		1,776,234		599,400
Profit and loss account	9		(915,522)		(358,094)
Shareholders Funds			862,887		242,531

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

The financial statements on pages 5 to 10 were approved by the board of directors on 19th May 2003 and were signed on its behalf by:

.....

Director

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 and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

b) **Turnover**

Turnover represents the total amount receivable by the company from the sale of goods and provision of services exclusive of VAT.

c) **Depreciation**

Depreciation is charged on a straight-line basis at such a rate as will cause the assets to be written off in the books of the company at the end of their useful working life. The rates used are as follows:

Fixtures, fittings and equipment	33.3%

d) **Pensions**

The company contributes to a defined contribution pension scheme in respect of its employees. Pension costs payable for the year are charged in the profit and loss account.

2. **Loss on Ordinary Activities before Taxation**

	2002 £	2001 £
Is stated after charging :		
Auditors' remuneration	4,380	1,500
Depreciation	44,655	5,901
Directors emoluments	75,388	124,788

3. **Taxation**

Profit and Loss Account

United Kingdom corporation tax at the rate applicable to small companies on the ordinary activities for the period.	-	-

4. **Tangible Fixed Assets**

	Fixtures, fittings & equipment	Total
Cost	£	£
At 1 December 2001	61,702	61,702
Additions	265,730	265,730
Disposals	-	-
At 30 November 2002	327,432	327,432
Depreciation		
At 1 December 2001	5,901	5,901
Charge for period	44,655	44,655
Disposals	-	-
At 30 November 2002	50,556	50,556
Net Book Value		
At 30 November 2002	276,876	276,876
At 30 November 2001	55,801	55,801

5. **Debtors**

	2002 £	2001 £
Trade debtors	1,384	457
VAT	-	11,648
Other debtors	36,226	21,557
Prepayments	12,578	841
	50,188	34,503

6. **Creditors: Amounts Falling due within One Year**

Bank overdraft	51,242	-
Trade creditors	68,021	9,728
Other taxation and social security	12,333	5,648
Accruals and other creditors	52,553	11,657
	184,149	27,033

7. Share Capital	2002 £	2001 £
Authorised:		
10,000,000 Ordinary shares of £0.001 each	10,000	10,000
Allotted, called up and fully paid:		
900,000 'A' Ordinary shares of £0.001 each	900	500
1,268,332 Ordinary shares of £0.001 each	1,268	725
Allotted, called up and not paid:		
6,666 Ordinary shares of £0.001 each	7	-
	2,175	1,225

During the year 400,000 'A Ordinary shares with an aggregate nominal value of £400 were issued fully paid for cash of £400,000, and 543,332 ordinary shares with an aggregate nominal value of £543 were issued, fully paid for cash of £777,784, £6.666 ordinary shares with an aggregate value of £7 were issued but were unpaid at the year-end.

8. **Transactions with Directors**

During the year consultancy payments were made to Limited companies, in which the directors have a material interest, as follows:		2002 £	2001 £
A Tripp	Inside Track Learning LLC	4,283	-

9. Reconciliation of Reserves	Called-up share capital £	Share premium £	Profit and loss account £
Balance at 1 December 2001	1,225	599,400	(358,094)
Share issues:			
'A' Ordinary	400	399,600	-
Ordinary	550	777,234	-
Loss for the period	-	-	(557,428)
Balance at 30 November 2002	2,175	1,776,234	(915,522)

10. Future Financial Commitments

At 30 November 2002 the company had annual commitments under operating leases as set out below:

Leases which expire:	2002 £	2001 £
Within 1 year	-	-
2 - 5 years	10,000	10,000
	10,000	10,000

11. Provisions for Liabilities and Charges

	2002 £	2001 £
Learning centre fit-out works (now completed)	-	24,000

12. Deferred Tax Asset

	2002		2001	
	Provided £	Unprovided £	Provided £	Unprovided £
Tax losses carried forward	-	166,612	-	-

At the moment the company is loss making and it is unknown when sufficient profits will arise to utilise these losses.