



NEW HORIZONS WORLDWIDE, INC.

World Leader in Computer Training

1999 Annual Report

NEW HORIZONS WORLDWIDE, INC. IS THE WORLD'S LARGEST INDEPENDENT IT TRAINING COMPANY, MEETING THE NEEDS OF MORE THAN 2.4 MILLION STUDENTS EACH YEAR. NEW HORIZONS OFFERS A VARIETY OF FLEXIBLE TRAINING CHOICES: INSTRUCTOR-LED CLASSES, WEB-BASED TRAINING, COMPUTER-BASED TRAINING VIA CD-ROM, COMPUTER LABS, CERTIFICATION EXAM PREPARATION TOOLS AND 24-HOUR, SEVEN-DAY-A-WEEK HELP-DESK SUPPORT. NEW HORIZONS HAS A FRANCHISED AND COMPANY-OWNED NETWORK OF 230 LOCATIONS IN 40 COUNTRIES (AS OF DECEMBER 31, 1999).

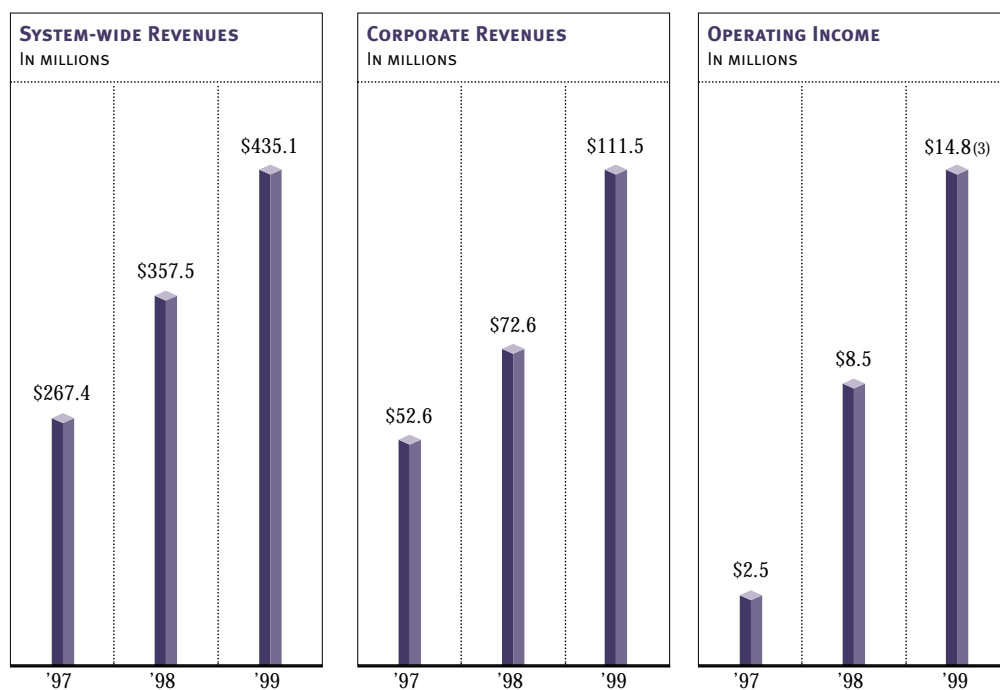
COMPANY STATISTICS

	1999	1998	1997
FINANCIAL			
(IN THOUSANDS EXCEPT EARNINGS PER SHARE)			
System-wide revenues	\$ 435,100	\$ 357,500	\$ 267,400
Corporate revenues	\$ 111,500	\$ 72,600	\$ 52,600
Operating income	\$ 14,800 ⁽³⁾	\$ 8,500	\$ 2,500
Net income	\$ 9,500 ⁽³⁾	\$ 5,900	\$ 2,100 ⁽²⁾
Earnings per share ⁽¹⁾	\$ 0.94 ⁽³⁾	\$ 0.61	\$ 0.23 ⁽²⁾
LOCATIONS			
U.S. and Canada	147	128	122
International	83	77	61

(1) From continuing operations.

(2) Exclusive of a one-time gain from the release of contractual obligation of a franchisee.

(3) Exclusive of one-time charges for management system write-off and costs related to settlement of a franchise arbitration.



TO OUR SHAREHOLDERS

We are pleased to report that our company enjoyed an outstanding year in 1999 and further solidified our position as the world's leading computer training company. We approached the millennium with the expectation of strong revenue growth and significantly improved operating margins, net income and earnings per share. We are well positioned for 2000 and beyond, and are proud of our 1999 results.

Net income increased \$1.4 million to \$7.3 million, or \$0.72 per diluted share, from \$5.9 million, or \$0.61 per diluted share for 1998. We achieved this improvement in net income and earnings per share despite one-time charges for a management system write-off and costs related to the settlement of a franchise arbitration.

Excluding the one-time charges, our net income increased 61% to \$9.5 million, or \$0.94 per share. Operating margins increased to 13.2% of revenues, compared to 11.7%.

In addition, the following revenue milestones were achieved:

- Corporate revenues were up 54% to \$111.5 million from \$72.6 million.
- System-wide revenues, which measure the combined revenues of franchise and company-owned locations, increased 22% to \$435.1 million compared with \$357.5 million.
- Revenues for locations operating more than 12 months grew 15%.

We also saw significant increases in the number and geographic reach of our computer learning centers. At the end of 1999, we had 230 locations open in 40 countries, an increase of 25 locations and 11 new countries in one year (Australia, Bangladesh, Belgium, Chile, China, El Salvador, Greece, Italy, the Netherlands, Scotland and Venezuela). The number of centers outside North America had grown to 83, or 36% of the total by year-end. Our international revenues are now 18% of worldwide system revenues, up from 14% in 1998. New master franchise agreements were also signed with Bolivia, Colombia, France, Lebanon, Pakistan and Peru. We expect the expansion of our international business to continue at a rapid pace in the next few years.

In 1999, we acquired 11 training centers that had been successfully operated by our franchisees. These acquisitions have improved our business. We have added growing, profitable locations and have strengthened our company's know-how in ways that we are leveraging throughout our entire network.

Demand for skilled IT professionals remained high during the past year, and the value of vendor-authorized certification is well understood by both employers and employees. Our technical training business was very strong in 1999 and represented 48% of our revenues, up from 37% in 1998. We see this trend continuing and expect 2000 to be a very active year for technical training as Microsoft's Windows 2000 is introduced. This product is the largest and most complex operating system ever constructed. As the training leader,

we are prepared for the overwhelming impact of Windows 2000 on everyday business practices. We do more authorized training for Microsoft and Novell than anyone in our industry. We also successfully launched our New Horizons Internet Professional Program and grew our A+ certification training.

A DIVERSE AND CHANGING MARKET

Although instructor-led classroom training remains the majority of our revenue and reflects how most of our customers choose to learn today, we recognize that Web-based training, also referred to as e-Learning, is a growing trend. The Internet is powerful. It will change—in fact, it already has changed—the way people learn. But we don't see e-Learning simply taking the place of instructor-led training. We see the future as an integration of Web-based (e-Learning) and instructor-led training. We are now aligning our training so that instructor-led, computer-based and Web-based training has content parity. Our vision is to construct an e-Learning environment that uses the Internet to enhance the classroom experience by delivering content to the student more efficiently and by making available more information and services, such as skills assessment, help desk and mentoring outside of the classroom.

POSITIONED FOR THE FUTURE

We are prepared to outgrow our competitors and remain the market leader. We have a sustainable growth model in place. We are uniquely positioned to integrate the e-Learning environment into our classroom training, giving us the distinction of being the only IT training provider to deliver top-level instructor-led training, as well as a full range of technology-based training.

The accomplishments of 1999 demonstrate our ability to maintain our leadership position, successfully take advantage of changes in technology, make accretive acquisitions of profitable franchised centers and position the company to capture added value from the expansion of the Internet. We expect continued rapid growth in the computer training industry and believe we have the abilities, strategies, financial resources and momentum to further penetrate this expanding market. By offering a growing supply of valuable training tools, providing personalized service to clients and pursuing strategic market expansion on all fronts, we are poised to benefit tremendously from the online revolution of the early 21st century.

We want to sincerely thank our customers, shareholders, franchise partners and employees for contributing to such satisfying results.



THOMAS J. BRESNAN
President and Chief Executive Officer



“AFTER I PASSED MY FIRST TEST AT NEW HORIZONS AND COULD ADD ‘MICROSOFT CERTIFIED PROFESSIONAL’ AFTER MY NAME, I STARTED GETTING CALLS BACK.”

Rick Kerley, on the process of changing careers

COMPANY PROFILE

With \$435 million in system-wide revenues in 1999, New Horizons continues as the largest IT training company in the world. We provide more courses and methods of training than any company in our industry.

In addition to offering complete programs of instruction in the most widely used software packages, we offer customized services based on individual client needs. We will provide instruction in proprietary or specialized software, or will customize our offerings to fit a client's schedule or application needs.

Our largest market consists of small- to mid-sized businesses for which the outsourcing of their computer training needs is the most efficient and economical solution. Our Corporate Education Solutions program is designed to capture the market that remains the most competitive, the Fortune 1000, and to offer outstanding customer service, a Web-based course registration and management system, and centralized invoicing to this market.

A continued growth market for us is in training individuals so they have the skills needed to fill the vast opportunities for talent that exist in the IT sector today. Training these individuals who are taking control of their careers and investing in themselves in order to make a career change or find a better job has a dual benefit. In addition to improving the intellectual capital at our institutions, this training also changes people's lives in dramatic ways.

IMPROVE SKILLS, IMPROVE YOUR LIFE

As the digital economy grows, more people are changing careers and finding higher-paying and more satisfying jobs as information technology professionals. Training these individuals is one of the largest and fastest-growing markets for New Horizons. To recruit individuals as students, training centers

hold New Horizons Career Nights several times a year. Attendees learn about the benefits of certification, their learning options, tuition financing and career opportunities.

Rick Kerley felt stuck in a job he didn't like because of his lack of formal training and skills. After attending a New Horizons Career Night he decided to sign up for the full program of

courses that lead to becoming a Microsoft Certified Systems Engineer (MCSE). He attended classes at the Bakersfield, CA, New Horizons center and was assigned to Mitch Watts, a Senior Account Executive, who counseled him through his six months of training. "We advised him on which courses to take, and he was hired above people with more experience because

he had received training they did not have," Watts said.

Today, Kerley is employed as an IT professional and has seen his salary increase nearly 75 percent in six months. As his responsibilities grow and technology continues to change, Kerley expects to return to New Horizons again and again to sharpen his skills and receive new product training.

“NEW HORIZONS INSTRUCTORS ARE VERY HELPFUL, KNOWLEDGEABLE AND CLIENT-ORIENTED. I HAVE RECOMMENDED NEW HORIZONS TO OTHERS.”

Sister Sheila Garvey, Director of Information Systems, Diocese of Manchester, NH

STRONG CLIENT RELATIONSHIPS

New Horizons maintains partnerships with leading software developers, creating new courseware as quickly as products are brought on the market. Occasionally, however, the company also develops customized instruction to a discrete

customer group. This was the case when the Nashua, NH, center developed a relationship with the Catholic Diocese of Manchester. The Diocese was using an accounting and finance package developed by Lowell Brown Enterprises, creators of Logos Software, which is

designed to meet the unique needs of the management of churches, schools and nonprofit organizations. The Nashua center quickly brought instructors up to speed on the Logos package and began teaching it to employees of the Diocese.

By making the effort to learn

and teach the Logos package, the Nashua New Horizons center developed a much broader relationship with the Diocese. Sister Sheila Garvey, Director of Information Systems for the Diocese, now uses New Horizons to train employees on a full range of Microsoft Office and Windows 2000 products.



GLOBAL REACH TO ALL AGES

After providing more than 2.4 million days of training at 230 locations worldwide last year, it is clear that New Horizons is capable of teaching complex computer-based learning to the broadest cross section of students imaginable, anywhere in the world. Regardless of a student's background, education, age or technical sophistication, individuals with a desire to study and practice can learn to successfully master the use of applications software and network administration.

A vivid example of putting this philosophy into practice is the experience of Jonathan Alexander, an 11-year-old South African boy who suffers from rheumatoid arthritis. "I have been interested in computers for as long as I can remember," said

Jonathan, "and last year my father brought home a new one. That's when I decided I wanted to take some advanced computer courses and signed up for the A+ program at New Horizons. I took classes for 20 Saturdays, and was on crutches and taking painkillers for most of the time. Once I had the A+ certificate, I wanted to get the MCSE (Microsoft Certified Systems Engineer) Certification."

Jonathan is now the youngest person in the world to hold the A+ and MCSE certificates, and is managing director and 99% owner of a company that he founded. His father maintains a 1% ownership stake so that he can handle the accounting-related needs of the company. Jonathan buys and repairs computer hardware, does installations, builds networks and sells software.



“AFTER TAKING COURSES AT NEW HORIZONS IN DURBAN, SOUTH AFRICA, I AM NOW THE YOUNGEST PERSON IN THE WORLD WITH A MICROSOFT CERTIFIED SYSTEMS ENGINEER (MCSE) CERTIFICATION.”

Jonathan Alexander, 11 years old

AN ARRAY OF DELIVERY METHODS

In 1999, most of our students chose to receive their lessons in a classroom setting from highly qualified instructors, with 90 percent visiting our training centers and the remainder attending classes at client sites. At the same time, however, we continue to develop emerging methods of instruction such as Web-based training. Our Choice Learning Program allows clients to customize their use of delivery methods, selecting the most suitable mix of instructor-led and technology-based training.

Technology will be the primary driver for our company, defining the expansion of course offerings and customer training needs, and the way we deliver instruction to our students. International Data Corporation estimates that Internet-based training today accounts for 9% of the IT training market in the U.S. It further estimates that this online training will exceed \$5 billion by 2003 and represent 37% of the IT training market. As we look at the growing power of the Internet and e-commerce and the opportunity it presents, we will be positioning ourselves as not only the world leader in instructor-led training, but also as the leading integrator of Web-based content and services.

We envision a time in the very near future when our students will select from a mix of classroom and Web-based instruction, with a complete library of courses, instructors and mentors available in both environments. Many students will continue to learn on a computer in a class led by an instructor. Rather than using written course materials, however, these students will access exercises and quizzes related to their courses through their computers, with learning tools, tests and remedial instruction provided through their personal New Horizons Web site. Individual instructors will be assigned to e-Learning students and available for discussion and mentoring using e-mail. This model will allow students to take courses anywhere in the world, working at their own pace and direction, either online or using a CD-ROM.

In keeping with our objective of remaining the world's leading computer training company, we will be at the forefront of developing courseware and teaching methods that can take advantage of the dramatic increase in computer-driven education. While training centers located in the world's biggest cities will remain the core of our business, we will be able to reach out and train people anywhere there is a need.

“NEW HORIZONS DESIGNED TWO WEEKS OF NT TRAINING INTO A ONE-WEEK COURSE, WHICH FIT PERFECTLY INTO OUR CURRICULUM NEEDS.”

Rob Heiwinkel, Instructor of Information Management, Fort Sam Houston, San Antonio, TX



FLEXIBILITY, CUSTOMIZATION, RESPONSIVENESS

Government contracts represent a very distinct market for New Horizons. It is also one that continues to grow. The typical government contract is structured differently from a commercial contract, with cost and the ability to meet specialized performance specifications the most important requirements to winning business. Mark Trott, Senior Account Executive at New Horizons in San Antonio, TX, said government contracts have now grown to 15-20 percent of sales because his center has been willing to respond to its government customers' needs.

“There are five military bases in this area,” said Trott, “and they are all continuously training their information technology specialists. They are also constrained by tight budgets and

time schedules. The Army Medical Department's Center and School at Fort Sam Houston, for example, asked us to bid on a contract to teach Windows NT to a class of 20 officers. They needed the two weeks of training as part of their information systems requirements, but could only spare one week of their time. We compressed the training into five days, starting earlier and ending later each day, with homework assignments making up the material that wasn't covered in class.”

The initial training of 20 officers was followed by a second class of 15. “We plan to use New Horizons San Antonio for our Windows NT training needs again this year,” said Rob Heiwinkel, a civilian who is Instructor of Information Management at Fort Sam Houston.



“WITH THE CONVENIENT AND FLEXIBLE TRAINING OFFERED AT NEW HORIZONS, WE DON’T NEED TO HAVE AN ENTIRE DEPARTMENT OUT OF THE OFFICE FOR TRAINING AT THE SAME TIME.”

Tom Cryer, Senior Manager of Information Systems, Revere Transducers Inc.

COST-EFFECTIVE, INDIVIDUALIZED, FLEXIBLE TRAINING

For many corporations with less than 250 employees, it is not practical or cost-effective to have an IT department that can individually train employees. New Horizons deals with thousands of such companies worldwide every year, providing training solutions without disrupting day-to-day operations of businesses.

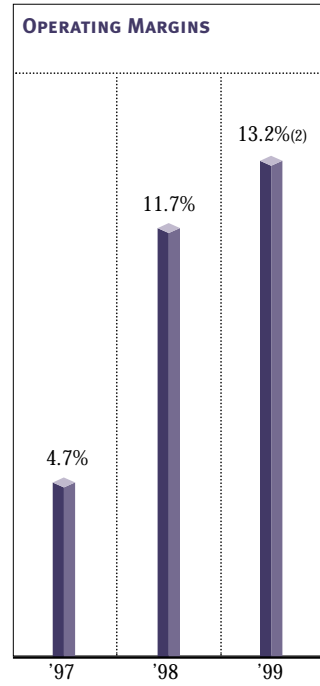
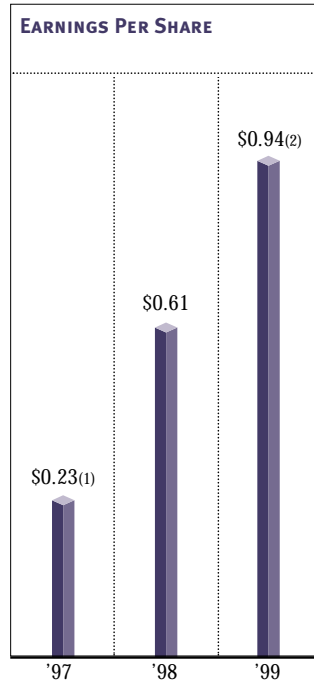
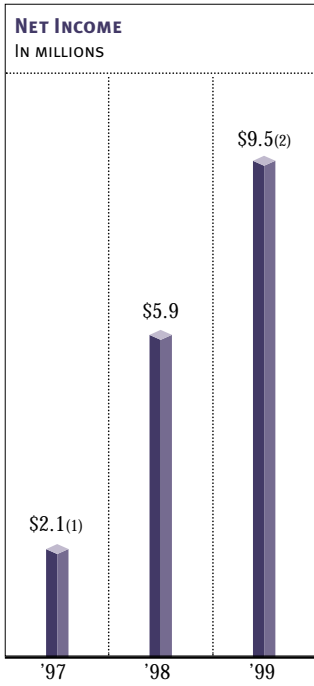
Revere Transducers Inc. of Tustin, CA, has been utilizing New Horizons of Santa Ana, CA, for years for desktop applications training. In the past year, the company has also turned to New Horizons for technical training. Revere Transducers has integrated a Windows NT network into its existing HP 3000-based system and has identified the necessity of

increasing the base knowledge of its IS manager.

“We felt many of our employees, including the entire accounting department, could benefit from taking some of the Windows and Office courses,” said Tom Cryer, Senior Manager of Information Systems. “We tried to train them internally with cassettes, CD ROMs and independent study. Nothing

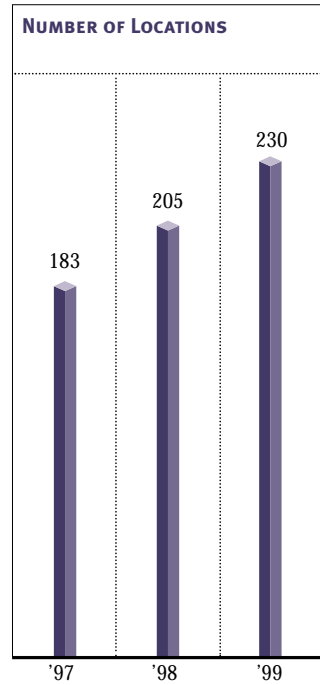
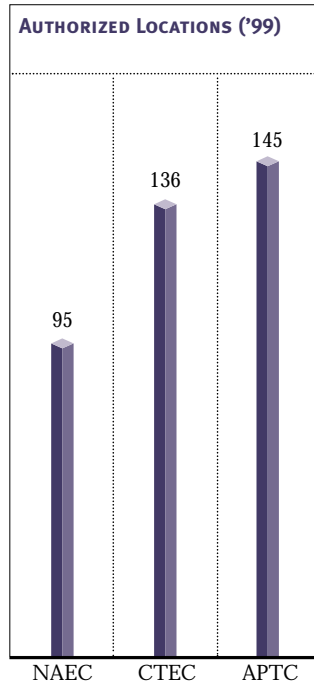
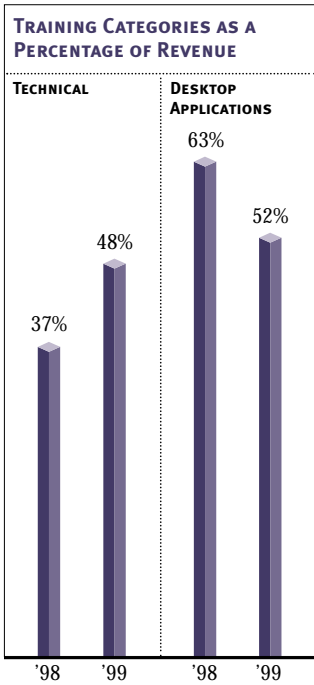
seemed to work, so we went to New Horizons. We were able to acquire a lot of training, and New Horizons was able to spread it over a longer period of time. Several employees enrolled as New Horizons Club Members and took even more classes on their own. The instructors really keep the classes moving and are sensitive to the individual needs of students.”

SELECTED GRAPHS



(1) Exclusive of a one-time gain from the release of contractual obligations to a franchisee.

(2) Exclusive of one-time charges for management system write-off and costs related to settlement of a franchise arbitration.



SELECTED CONSOLIDATED FINANCIAL DATA

New Horizons Worldwide, Inc. and Subsidiaries

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE)

	1999	1998	1997	1996	1995
SELECTED CONSOLIDATED STATEMENTS OF OPERATIONS DATA					
Total revenues	\$ 111,476	\$ 72,629	\$ 52,633	\$ 41,269	\$ 23,733
Cost of revenues	50,301	32,749	26,814	20,599	13,164
Selling, general and administrative expenses	46,407	31,354	23,368	19,063	11,757
Write-off of management system	3,338	—	—	—	—
Settlement of franchise arbitration	303	—	—	—	—
Operating income (loss)	11,127	8,526	2,451	1,607	(1,188)
Interest income	643	1,424	1,301	211	231
Interest expense	(354)	(255)	(469)	(351)	(100)
Gain from release of certain franchise obligations	—	—	2,600	—	—
Income (loss) from continuing operations					
before income taxes	11,416	9,695	5,883	1,467	(1,057)
Provision (benefit) for income taxes	4,153	3,813	2,269	669	(440)
Income (loss) from continuing operations	7,263	5,882	3,614	798	(617)
Income (loss) from discontinued operations	—	—	349	(130)	424
Loss on disposal of discontinued operations	—	—	—	(7,303)	—
Income (loss) from discontinued operations	—	—	349	(7,433)	424
Net income (loss)	\$ 7,263	\$ 5,882	\$ 3,963	\$ (6,635)	\$ (193)
BASIC EARNINGS PER SHARE					
Income (loss) per share from continuing operations	\$ 0.76	\$ 0.64	\$ 0.41	\$ 0.09	\$ (0.07)
Income (loss) per share from discontinued operations	—	—	0.04	(0.86)	0.05
Net income (loss) per share	\$ 0.76	\$ 0.64	\$ 0.45	\$ (0.77)	\$ (0.02)
DILUTED EARNINGS PER SHARE					
Income (loss) per share from continuing operations	\$ 0.72	\$ 0.61	\$ 0.40	\$ 0.09	\$ (0.07)
Income (loss) per share from discontinued operations	—	—	0.04	(0.86)	0.05
Net income (loss) per share	\$ 0.72	\$ 0.61	\$ 0.44	\$ (0.77)	\$ (0.02)

	DECEMBER 31, 1999	DECEMBER 31, 1998	DECEMBER 31, 1997	DECEMBER 28, 1996	DECEMBER 30, 1995
SELECTED CONSOLIDATED BALANCE SHEET DATA					
Working capital	\$ 6,010	\$ 20,951	\$ 27,030	\$ 23,066	\$ 28,898
Total assets	105,084	86,746	66,571	60,472	56,477
Long term obligations less current portion	6,730	267	1,516	2,330	650
Total stockholders' equity	72,730	61,569	49,056	43,757	49,428

(1) Certain reclassifications were made to previous years' statements to conform to the presentation in 1999.

(2) Per share amounts have been adjusted to reflect the five-for-four split of the Company's common stock effected June 8, 1999.

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

The following discussion should be read in conjunction with the Consolidated Financial Statements and related notes and "Selected Consolidated Financial Data" included elsewhere in this report.

GENERAL

The Company operates computer training centers in the United States and franchises computer training centers in the United States and abroad. Prior to 1997, the Company also operated an environmental remediation business. As a result of the completion of the sale of Handex Environmental, Inc. to ECB, Inc. in December 1996, the results of operations for the Company's environmental business segment have been classified as discontinued operations for all periods presented in the accompanying consolidated financial statements. The Company operates in two business segments: one operates wholly-owned computer training centers and the other supplies systems of instruction, sales, and management concepts concerning computer training to independent franchisees.

Corporate revenues are defined as revenues from company-owned training centers, initial franchise fees, royalties, and other revenues from franchise operations. System-wide revenues are defined as total revenues from all centers, both company-owned and franchised. System-wide revenues are used to gauge the growth rate of the entire New Horizons training network.

Revenues from company-owned training centers operated by New Horizons consist primarily of training fees and fees derived from the sale of courseware material. Cost of revenues consists primarily of instructor costs, rent, utilities, classroom equipment, courseware costs, and computer hardware, software and peripheral expenses. Included in selling, general and administrative expenses are personnel costs associated with technical and facilities support, scheduling, training, accounting and finance, and sales.

Revenues from franchising consist primarily of initial franchise fees paid by franchisees for the purchase of specific franchise territories and franchise rights, training royalty and advertising fees based on a percentage of gross training revenues realized by the franchisees, percentage royalty fees received on the sale of courseware, and revenue earned from the Corporate Education Solutions program, formerly Major Accounts Program. Cost of revenues consists primarily of costs associated with courseware development and franchise support personnel who provide system guidelines and advice on daily operating issues including sales, marketing, instructor training, and general business problems. Included in selling, general and administrative expenses are technical support, accounting and finance support, Corporate Education Solutions support, advertising expenses, and franchise sales expenses.

RESULTS OF OPERATIONS 1999 VERSUS 1998 – CONTINUING OPERATIONS

REVENUES

Revenues for 1999 increased \$38,847 to \$111,476 or 53.5% over the \$72,629 realized in 1998. The increase in revenues was attributable to significant growth in royalties, the inclusion of the Memphis and Nashville, Tennessee and Hartford, Connecticut centers for a full year in 1999, the acquisition of the Albuquerque, New Mexico, Charlotte, North Carolina, Sacramento and Stockton, California, San Antonio, Texas, and Denver, Colorado franchises. The centers owned on January 1, 1999 had an aggregate year-over-year growth of 8.1%.

Revenues at company-owned centers increased 64.7% to \$86,520 from \$52,545 in 1998. The increase was primarily attributable to increased revenues at the New York and Cleveland centers, the inclusion of the Memphis, Nashville and Hartford centers for a full year, and the acquisition of the Albuquerque, Charlotte, Sacramento, Stockton, San Antonio, and Denver franchises.

In the Company's franchising segment, royalty fees for 1999 were \$19,532, up 20.6% over the 1998 total of \$16,189. The increase was principally due to a 16.2% revenue increase at locations open more than one year and the addition of 21 franchise locations during the year, less 11 locations purchased by the Company and operated as company-owned centers. Franchise fees for 1999 were \$2,606, up 52.9% from the 1998 total of \$1,704. At the end of 1999, there were 204 franchise locations in operation, up 5.2% over the 194 in operation at the end of 1998. One hundred twenty one locations operate in the U.S. and Canada while 83 operate in 38 other countries around the world. Other franchising revenues for 1999 increased \$627, up 28.6% from the 1998 total of \$2,191. The increase was due mainly to higher revenues from the Corporate Education Solutions program.

System-wide revenues, which are defined as revenues from all centers, both company-owned and franchised, increased to \$435,124 at the end of 1999, up 21.7% from \$357,503 in 1998.

COST OF REVENUES

Cost of revenues increased \$17,552 or 53.6% for 1999 compared to 1998. As a percentage of revenues, cost of revenues remained at 45.1% for 1999 and 1998. The increase in cost of revenues in absolute dollars was primarily due to the inclusion of the Memphis, Nashville, and Hartford franchises for a full year and the acquisition of the Albuquerque, Charlotte, Sacramento, Stockton, San Antonio, and Denver franchises.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses increased \$15,053 or 48.0% for 1999 compared to 1998. As a percentage of revenues, selling, general and administrative expenses declined to 41.6% for 1999 from 43.2% for 1998. The increase in absolute dollars for selling, general and administrative expenses was due primarily to the inclusion of the Memphis, Nashville and Hartford centers for a full year in 1999, the acquisition of the Albuquerque, Charlotte, Sacramento, Stockton, San Antonio, and Denver franchises, and franchise support for international operations. The decrease in selling, general and administrative expense as a percentage of revenues was principally due to the significant growth in revenues, synergies created through the acquisition of these centers, and control of the addition of non-revenue producing employees.

INTEREST INCOME (EXPENSE)

Interest income for 1999 decreased \$781 or 54.8% to \$643 compared with \$1,424 in 1998. As a percentage of revenues, interest income decreased to 0.6% for 1999 from 2.0% for 1998. The Company earned \$137 in tax-free income, down from \$938 in 1998.

Interest expense increased \$99 to \$354 for 1999 or 38.8% compared to \$255 in 1998. As a percentage of revenues, interest expense was 0.3% in 1999 and 0.4% in 1998. The increase in interest expense in absolute dollars was due to an increase in debt resulting from the franchise buy-backs in 1999.

INCOME TAXES

The provision for income taxes as a percentage of income before income taxes was 36.4% for 1999 compared to 39.3% for 1998. The decrease in the effective tax rate was due principally to the increase of foreign tax credits and state enterprise zone tax credits. The decrease was partially offset by a smaller percentage of the tax-free investment income to total income before taxes.

RESULTS OF OPERATIONS 1998 VERSUS 1997 – CONTINUING OPERATIONS

REVENUES

Revenues for 1998 increased \$19,996 to \$72,629 or 38.0% over the \$52,633 realized in 1997. Revenues include revenues from company-owned locations and initial franchise fees and royalties from franchise operations. The increase in revenues was attributable to significant growth in royalties, revenue increases at the Santa Ana and Cleveland company-owned locations, and the acquisition of the Memphis and Nashville, Tennessee and the Hartford, Connecticut franchises.

Revenues at company-owned centers increased 35.8% to \$52,545 from \$38,692 in 1997. The increase was primarily attributable to a 16.3% increase at the centers owned at January 1, 1998 and the acquisition of the Memphis, Nashville, and Hartford franchises.

In the Company's franchising segment, royalty fees for 1998 were \$16,189, up 36.2% over the 1997 total of \$11,887. The increase was principally due to a 30.3% revenue increase at locations open more than one year and the addition of 22 franchise locations during the year, less three franchises purchased by the Company and operated as company-owned locations. Franchise fees for 1998 were \$1,704, up 35.8% from the 1997 total of \$1,255. At the end of 1998, there were 194 franchise locations in operation, up 10.9% over the 175 in operation at the end of 1997. One hundred seventeen franchise locations operate in the U.S. and Canada while 77 operate in 28 other countries around the world. Other franchising revenues for 1998 increased \$1,392, up 174% from the 1997 total of \$799. The increase was due mainly to higher revenues from the Major Accounts Program.

System-wide revenues, which are defined as revenues from all centers, both company-owned and franchised, increased to \$357,503 at the end of 1998, up 33.7% from \$267,377 in 1997.

COST OF REVENUES

Cost of revenues increased \$5,935 or 22.1% for 1998 compared to 1997. As a percentage of revenues, cost of revenues decreased to 45.1% for 1998 from 50.9% for 1997. The increase in cost of revenues in absolute dollars was due to the acquisition of Memphis, Nashville, and Hartford franchises and the increased training costs at the Santa Ana and Cleveland locations resulting from the growth in revenues. The decrease as a percentage of revenue resulted from the control of the costs to deliver training.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses increased \$7,986 or 34.2% for 1998 compared to 1997. As a percentage of revenues, selling, general and administrative expenses declined to 43.2% for 1998 from 44.4% for 1997. The increase in absolute dollars for selling, general and administrative expenses was due primarily to growth in spending in the areas of sales and marketing, national advertising, expansion of the Major Accounts Program, and franchise support for international operations. The decrease in selling, general and administrative expense as a percentage of revenues was principally due to the significant growth in revenues and control of the addition of non-revenue producing employees.

INVESTMENT INCOME (EXPENSE)

Investment income for 1998 increased \$123 or 9.5% to \$1,424 compared with \$1,301 in 1997. As a percentage of revenues, investment income decreased to 2.0% for 1998 from 2.5% for 1997. The Company earned \$938 in tax-free income, up from \$835 in 1997. The increase in investment income in 1998, in absolute dollars, was due mainly to the substantial increase in short-term investment funds resulting from the 1996 sale of the environmental business and the cash received from the release of certain franchise obligations in 1997. The decrease in investment income as a percentage of revenue was due to the growth in revenues.

Interest expense decreased \$214 to \$255 for 1998 or 45.6% compared to \$469 in 1997. As a percentage of revenues, interest expense was 0.4% in 1998 and 0.9% in 1997. The decrease in interest expense in absolute dollars was due mainly to a reduction in debt.

INCOME TAXES

The provision for income taxes as a percentage of income before income taxes was 39.3% for 1998 compared to 38.6% for 1997. The increase in the effective tax rate was due principally to increased foreign taxes and the smaller percentage of the tax-free investment income to total income before taxes.

DISCONTINUED OPERATIONS

In 1996 the Company sold Handex Environmental, Inc. and has reflected its net assets and results of operations as discontinued operations in the accompanying consolidated financial statements. Remaining assets and liabilities of Handex Environmental are recorded at their expected realization value.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 1999, the Company's current ratio was 1.3 to 1, working capital was \$6,010, and its cash and cash equivalents totaled \$2,868. Working capital as of December 31, 1999, reflected a decrease of \$14,941 from \$20,951 as of December 31, 1998. The decrease was due principally to the use of cash to purchase six franchises, partially offset by cash generated from operating activities and borrowings against a line of credit.

In 1999 cash used by investing activities increased by \$14,557 to \$19,504. This was primarily due to an additional \$22,346 incurred in 1999 to purchase six franchises and the payment of direct costs for prior acquisitions of \$2,336. These increases in cash usage were partially offset by the net increase in the redemption of marketable securities of \$8,530 in 1999 compared to 1998.

Cash provided by operating activities was \$12,893, an increase of \$2,408 compared to 1998. The increase was due to an increase of \$5,785 in net income plus non-cash charges for depreciation and amortization, write-off of the management system, and other adjustments, and the cash flow effect of the increase in accounts receivable of \$1,582. These increases were partially offset by the cash flow of the payment to the Hartford franchise of \$3,000. The Company's net borrowing activities increased by \$4,722.

The Company currently maintains a \$25 million credit facility with a commercial bank, \$20 million of which is for future business acquisitions and \$5 million of which is for short-term financing requirements, at an interest rate of LIBOR (6.1% at December 31, 1999) plus 1.75%. Total borrowings in 1999 were \$13 million under the acquisition portion of the line of credit agreement. The outstanding balance as of December 31, 1999 was \$6.7 million. As of December 31, 1999, the Company has \$13.3 million and \$5 million available for borrowing under the acquisition and short-term financing portions of the credit facility, respectively.

The nature of the information technology and training industry requires substantial cash commitments for the purchase of computer equipment, software, and training facilities. During 1999 New Horizons spent approximately \$6,748 on capital items. Capital expenditures for 2000 are expected to total approximately \$4,800.

Management believes that its current working capital position, cash flows from operations, along with its credit facility, will be adequate to support its current and anticipated capital and operating expenditures and its strategies to grow its computer education and training business.

IMPACT OF ACCOUNTING PRONOUNCEMENTS

In June 1998 the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivatives and Hedging Activities" ("SFAS No. 133"). SFAS No. 133 must be implemented by the Company for the year ended December 31, 2001. The effects of SFAS No. 133 on the Company's financial statements are not expected to be significant.

YEAR 2000

The Company undertook a Year 2000 Compliance Project ("Y2K Project") that was designed to ensure that the Company could effectively conduct business beyond January 1, 2000, and that disruption from December 31, 1999 to January 1, 2000 would be minimized. The Company's Y2K Project addressed reporting compliance and legal concerns and contained various phases, including evaluation of systems, planning for system fixes, implementation of system fixes, development of contingency plans, and testing of system fixes. Although problems may still arise, the Company's Y2K Project appears to have been successful. As of the date of this annual report, there have been no significant internal issues identified, and inquiries after January 1, 2000 of the Company's key suppliers and customers have indicated that they have not experienced significant issues either.

When the Company's systems were upgraded as part of its Y2K Project, other improvements to the Company's systems were made. The cost of the Company's Y2K Project, including such system upgrades, was approximately \$500.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk related to changes in interest rates. A discussion of the Company's accounting policies for financial instruments and further disclosures relating to financial instruments are included in the Notes to Consolidated Financial Statements. The Company monitors the risks associated with interest rates and financial instrument positions.

The Company's primary interest rate risk exposure results from floating rate debt on its line of credit. At December 31, 1999, most of the Company's total long-term debt consisted of floating rate debt. If interest rates were to increase 100 basis points (1.0%) from December 31, 1999 rates, and assuming no changes in long-term debt from the December 31, 1999 levels, the additional annual expense would be approximately \$67 on a pre-tax basis. The Company currently does not hedge its exposure to floating interest rate risk.

The Company's revenue derived from international operations is not material and, therefore, the risk related to foreign currency exchange rates is not material.

The Board of Directors and Stockholders
New Horizons Worldwide, Inc.

We have audited the accompanying consolidated balance sheets of New Horizons Worldwide, Inc. and subsidiaries (the Company) as of December 31, 1999 and 1998 and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of New Horizons Worldwide, Inc. and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States of America.

Deloitte + Touche LLP

Costa Mesa, California
February 23, 2000

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 1999 AND DECEMBER 31, 1998

New Horizons Worldwide, Inc. and Subsidiaries

(DOLLARS IN THOUSANDS)	1999	1998
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,868	\$ 6,873
Investments	—	15,821
Accounts receivable, less allowance for doubtful accounts of \$943 in 1999 and \$927 in 1998 (Note 2)	20,991	16,538
Inventories	1,226	784
Prepaid expenses	1,438	1,039
Deferred income tax assets (Note 6)	2,526	2,202
Other current assets	791	773
Total current assets	29,840	44,030
Property, plant and equipment, net (Note 4)	14,797	13,818
Excess of cost over net assets of acquired companies, net of accumulated amortization of \$3,420 in 1999 and \$1,844 in 1998 (Note 12)	55,718	25,225
Cash surrender value of life insurance	1,070	863
Other assets (Note 7)	3,659	2,810
TOTAL ASSETS	\$ 105,084	\$ 86,746
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and current portion of long-term obligations (Note 3)	\$ 189	\$ 3,910
Accounts payable	2,155	2,391
Income taxes payable (Note 6)	918	354
Other current liabilities (Note 8)	20,568	16,424
Total current liabilities	23,830	23,079
Long-term obligations, excluding current portion (Note 3)	6,730	267
Deferred income tax liability (Note 6)	835	981
Deferred rent (Note 11)	885	658
Other long-term liabilities	127	192
Total liabilities	32,407	25,177
Commitments and contingencies (Note 11)	—	—
Stockholders' equity (Note 10):		
Preferred stock without par value, 2,000,000 shares authorized, no shares issued	—	—
Common stock, \$.01 par value, 15,000,000 shares authorized; issued and outstanding 9,788,583 shares in 1999 and 9,558,531 shares in 1998	97	95
Additional paid-in capital	37,098	33,202
Retained earnings	36,780	29,517
Treasury stock at cost - 185,000 shares in 1999 and 1998	(1,298)	(1,298)
Accumulated other comprehensive income	—	53
Total stockholders' equity	72,677	61,569
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 105,084	\$ 86,746

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME

New Horizons Worldwide, Inc. and Subsidiaries

YEARS ENDED DECEMBER 31, 1999, DECEMBER 31, 1998, AND DECEMBER 31, 1997

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE)	1999	1998	1997
Revenues			
Franchising			
Franchise fees	\$ 2,606	\$ 1,704	\$ 1,255
Royalties	19,532	16,189	11,887
Other	2,818	2,191	799
Total franchising revenues	24,956	20,084	13,941
Company-owned training centers	86,520	52,545	38,692
Total revenues	111,476	72,629	52,633
Cost of revenues	50,301	32,749	26,814
Selling, general and administrative expenses	46,407	31,354	23,368
Write-off of management system (Note 5)	3,338	—	—
Settlement of franchise arbitration (Note 5)	303	—	—
Operating income	11,127	8,526	2,451
Interest income	643	1,424	1,301
Interest expense	(354)	(255)	(469)
Gain from release of certain franchise obligations	—	—	2,600
Income from continuing operations before income taxes	11,416	9,695	5,883
Provision for income taxes (Note 6)	4,153	3,813	2,269
Income from continuing operations	7,263	5,882	3,614
Discontinued operations (Note 14):			
Income from discontinued operations net of applicable income taxes of \$0	—	—	349
Net income	\$ 7,263	\$ 5,882	\$ 3,963
BASIC EARNINGS PER SHARE			
Income per share from continuing operations	\$ 0.76	\$ 0.64	\$ 0.41
Income per share from discontinued operations	—	—	0.04
Net income per share	\$ 0.76	\$ 0.64	\$ 0.45
DILUTED EARNINGS PER SHARE			
Income per share from continuing operations	\$ 0.72	\$ 0.61	\$ 0.40
Income per share from discontinued operations	—	—	0.04
Net income per share	\$ 0.72	\$ 0.61	\$ 0.44

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

New Horizons Worldwide, Inc. and Subsidiaries

YEARS ENDED DECEMBER 31, 1999, DECEMBER 31, 1998, AND DECEMBER 31, 1997

(DOLLARS IN THOUSANDS)	1999	1998	1997
Net income	\$ 7,263	\$ 5,882	\$ 3,963
Other comprehensive income:			
Unrealized holding gains on available for sale securities arising during year	—	53	—
Reclassification adjustment for gains included in net income	(53)	—	—
Comprehensive income	\$ 7,210	\$ 5,935	\$ 3,963

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

New Horizons Worldwide, Inc. and Subsidiaries

YEARS ENDED DECEMBER 31, 1999, DECEMBER 31, 1998, AND DECEMBER 31, 1997

(IN THOUSANDS)	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK	ACCUMULATED OTHER COMPREHENSIVE INCOME	STOCKHOLDERS' EQUITY
Balance at January 1, 1997	8,907	\$ 89	\$ 25,293	\$ 19,672	\$ (1,298)	\$ —	\$ 43,756
Issuance of common stock from exercise of stock options	205	2	1,036	—	—	—	1,038
Income tax benefit from the exercise of stock options	—	—	299	—	—	—	299
Net income	—	—	—	3,963	—	—	3,963
Balance at December 31, 1997	9,112	91	26,628	23,635	(1,298)	—	49,056
Issuance of common stock from exercise of stock options and warrants	75	1	396	—	—	—	397
Income tax benefit from the exercise of stock options and warrants	—	—	180	—	—	—	180
Issuance of common stock for acquisitions	371	3	5,451	—	—	—	5,454
Unrealized gain on investments	—	—	—	—	—	53	53
Compensatory stock options and warrant grants	—	—	547	—	—	—	547
Net income	—	—	—	5,882	—	—	5,882
Balance at December 31, 1998	9,558	95	33,202	29,517	(1,298)	53	61,569
Issuance of common stock from exercise of stock options	8	—	75	—	—	—	75
Income tax benefit from the exercise of stock options	—	—	18	—	—	—	18
Issuance of common stock for acquisitions	223	2	3,665	—	—	—	3,667
Compensatory warrant grants	—	—	138	—	—	—	138
Other comprehensive income	—	—	—	—	—	(53)	(53)
Net income	—	—	—	7,263	—	—	7,263
Balance at December 31, 1999	9,789	\$ 97	\$ 37,098	\$ 36,780	\$ (1,298)	\$ —	\$ 72,677

See accompanying notes to consolidated financial statement

CONSOLIDATED STATEMENTS OF CASH FLOWS

New Horizons Worldwide, Inc. and Subsidiaries

YEARS ENDED DECEMBER 31, 1999, DECEMBER 31, 1998, AND DECEMBER 31, 1997

(DOLLARS IN THOUSANDS)	1999	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 7,263	\$ 5,882	\$ 3,963
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	6,074	4,006	3,786
Write-off of management system (note 5)	2,860	—	—
Deferred income taxes	(470)	(355)	(839)
Stock-based compensation	138	547	—
Cash provided (used) from the change in (net of effects of acquisitions):			
Accounts receivable	(1,689)	(3,270)	5,816
Inventories	(113)	133	(114)
Prepaid expenses and other current assets	(198)	(192)	3,954
Other assets	(723)	(195)	(1,578)
Accounts payable	(590)	(477)	187
Other current liabilities	(362)	4,861	4
Income taxes payable	582	(515)	1,251
Deferred rent	121	60	363
Non-cash charges and working capital changes from discontinued operations	—	—	(349)
Net cash provided by operating activities	12,893	10,485	16,444
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of marketable securities	(279)	(21,810)	(22,758)
Redemption of marketable securities	16,100	29,100	—
Cash surrender value of life insurance	(207)	(105)	(84)
Cash received on redemption of preferred stock	—	—	2,000
Additions to property, plant and equipment	(6,748)	(8,359)	(4,450)
Cash paid for acquired companies, net of cash acquired (Note 12)	(26,034)	(3,773)	—
Cash paid for previous acquisitions (Note 12)	(2,336)	—	—
Net cash used by investing activities	(19,504)	(4,947)	(25,292)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of common stock	75	397	1,038
Proceeds from debt obligations	12,906	181	1,264
Principal payments on debt obligations	(10,375)	(2,372)	(1,736)
Net cash provided (used) by financing activities	2,606	(1,794)	566
Net increase (decrease) in cash and cash equivalents	(4,005)	3,744	(8,282)
Cash and cash equivalents at beginning of year	6,873	3,129	11,411
Cash and cash equivalents at end of year	\$ 2,868	\$ 6,873	\$ 3,129
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash was paid for:			
Interest	\$ 339	\$ 180	\$ 323
Income taxes	\$ 4,091	\$ 4,303	\$ 1,530
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS			
Noncash investing and financing activities:			
Income tax benefit from exercise of stock options and warrants	\$ 18	\$ 180	\$ 299
Unrealized gain on investments	\$ —	\$ 53	\$ —
The Company completed six acquisitions in 1999 and three in 1998 summarized as follows (Note 12):			
Fair value of assets acquired	\$ 34,076	\$ 14,833	
Short term debt and other obligations incurred	(921)	(3,559)	
Value of stock issued	(2,983)	(5,454)	
Cash paid, net of cash acquired	(26,034)	(3,773)	
Liabilities assumed	\$ 4,138	\$ 2,047	

During the year ended December 31, 1999, the Company issued common stock with a value of \$ 684 as additional consideration for previous acquisitions.

See accompanying notes to consolidated financial statements

DECEMBER 31, 1999, DECEMBER 31, 1998, AND DECEMBER 31, 1997

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**NATURE OF OPERATIONS**

New Horizons Worldwide, Inc. (New Horizons or the Company) owns and franchises computer training centers. The Company's training centers provide application software and technical certification training to a wide range of individuals and employer-sponsored individuals from national and international public and private corporations, service organizations and government agencies. As of December 31, 1999, the Company and its franchisees delivered training in 26 company-owned and 204 franchised locations in 40 countries around the world.

BASIS OF ACCOUNTING AND PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of New Horizons Worldwide, Inc. and its subsidiaries, all of which are wholly owned. All significant inter-company balances and transactions have been eliminated in consolidation.

FRANCHISE SALES

The terms of a typical franchise agreement allow for the sale of individual franchises to operators of computer learning centers for an initial fee. The initial fees are \$25, \$50 or \$75 depending on the estimated number of personal computers within a given territory. Operators of existing computer training centers receive a 20% reduction in the initial fee as a conversion allowance. Additionally, franchisees are assessed the following fees, among other fees, as defined by the franchise agreement:

a. Continuing Monthly Royalty

The fee amount is equal to the greater of 3% to 6% of gross revenues or certain minimums as defined depending on the size of the territory. Amounts commence accruing on the effective date of the franchise agreement for new operators and in the sixth month after the effective date of the franchise agreement for operators converting their existing computer learning center to a New Horizons.

b. Course Material and Computer-based Training Royalty

The fee amount is equal to 9% of gross revenues from course materials and proprietary computer-based training products sold to third parties.

c. Marketing and Advertising Fee

The fee amount is equal to 1% of gross revenues for franchisees in the United States and Canada and 0.2% for international franchisees who elect to participate. Amounts commence accruing on the date the franchise commences operation of the franchise business.

On February 28, 1997, the Company received cash consideration of \$2,600 in return for releasing the franchise obligations of an owner of four New Horizons training centers in the state of New York. The Company is aggressively attempting to re-franchise the territories that became available as a result of this transaction. As of December 31, 1999, two of the territories have been resold.

REVENUE RECOGNITION

Revenues for training services and franchise royalty fees are recognized as earned. Initial franchise fees are recognized when the Company has supplied substantially all of the services and met all of the conditions of the sale of the franchise rights. Master franchise fees are earned ratably over the opening of sub-franchises.

INVESTMENTS

The Company accounts for investments pursuant to Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The Company's investments have been categorized as "available for sale" and, as a result, are stated at fair value. Accordingly, any unrealized holding gains and losses are to be included as a component of accumulated other comprehensive income, net of tax, until realized. As of December 31, 1999, the Company had no investments.

INVENTORIES

Inventories are stated at the lower of cost or market. Inventory costs are determined using the first-in, first-out (FIFO) method.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost. Depreciation is provided over the estimated useful lives of the respective assets, using the straight line method as follows:

Equipment	3 to 5 years
Furniture and fixtures	5 to 10 years
Leasehold improvements	Useful life or term of lease, if shorter

INCOME TAXES

The Company accounts for income taxes under the asset and liability method in accordance with SFAS No. 109, "Accounting for Income Taxes." Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years when those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

When options granted under the Company's stock option plans are exercised, the Company receives a tax deduction related to the difference between the market value of its common stock at the date of exercise and the sum of the exercise price and any compensation expense recognized for financial reporting purposes. The tax benefit resulting from this tax deduction is reflected as a decrease in the Company's income tax liability and an increase to additional paid-in capital.

INTANGIBLES AND OTHER LONG-LIVED ASSETS

The excess of cost over net assets acquired is being amortized on a straight-line basis over periods ranging from 25 to 40 years. The Company assesses the recoverability of its long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

CONCENTRATION OF CREDIT RISK

The Company's credit risk on trade receivables is diversified over a wide geographic area and many customers. Ongoing customer credit evaluations are performed with respect to the Company's trade receivables and collateral is generally not required to be provided by the customer.

EARNINGS PER SHARE

The Company calculates earnings per share (EPS) pursuant to SFAS No. 128 "Earnings Per Share." The computation of Basic EPS is based on the weighted average number of shares outstanding during each year. The computation of Diluted EPS is based upon the weighted average number of shares outstanding, plus the shares that would be outstanding assuming the exercise of all outstanding options and warrants, computed using the treasury stock method. Dilutive options and warrants are not considered in the calculation of net loss per share.

The weighted average number of shares outstanding used in determining Basic EPS was 9,521,621 in 1999, 9,164,709 in 1998, and 8,838,539 in 1997. The weighted average number of shares outstanding used in determining Diluted EPS was 10,021,991 in 1999, 9,601,776 in 1998, and 9,117,836 in 1997. The difference between the shares used for calculating Basic and Diluted EPS relates to common stock equivalents consisting of stock options and warrants outstanding during the respective periods.

During fiscal 1999 the Company's Board of Directors approved a five-for-four split of the Company's common stock. This split was effected on June 8, 1999 for shareholders of record on May 18, 1999. All per share and share information has been restated to reflect this stock split.

STOCK BASED COMPENSATION

The Company applies Accounting Principles Board Opinion 25 and related interpretations in accounting for employee stock-based compensation. The Company adopted the pro forma and other disclosure requirements of SFAS No. 123, which requires presentation of the pro forma effect of the fair-value based method on net income and net income per share in the financial statement footnotes. (See Note 10)

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NEW ACCOUNTING PRONOUNCEMENTS

In June 1998 the FASB issued SFAS No. 133, "Accounting for Derivatives and Hedging Activities." SFAS No. 133 must be implemented by the Company for the year ended December 31, 2001. The effects of SFAS No. 133 on the Company's financial statements are not expected to be significant.

RECLASSIFICATION

Certain items on the 1998 and 1997 consolidated statements have been reclassified to conform to the 1999 presentation.

NOTE 2. ALLOWANCE FOR DOUBTFUL ACCOUNTS

Allowance for doubtful accounts includes the following:

YEARS ENDED DECEMBER 31	1999	1998
Balance, beginning of year	\$ 927	\$ 1,693
Provisions	169	156
Deductions	(153)	(922)
Balance, end of year	\$ 943	\$ 927

NOTE 3. NOTES PAYABLE AND LONG-TERM OBLIGATIONS

	1999	1998
The Company's debt and capital lease obligations are as follows:		
Amount outstanding on line of credit with bank, bearing interest at LIBOR (6.1% at December 31, 1999) plus 1.75%, payable in quarterly principal installment of \$419 commencing March 2001, interest payable monthly	\$ 6,700	\$ —
Amounts due under capital leases with effective interest rates ranging from 8.5% to 14.6% per annum (Note 11)	219	1,013
Note payable to a former franchisee pursuant to a franchise acquisition at 5% interest rate, paid January 1999	—	3,000
Notes payable to bank with effective interest rates of 7.4% and 7.6%, paid May 1999	—	164
	6,919	4,177
Less: Current portion of notes payable and long-term obligations	(189)	(3,910)
	\$ 6,730	\$ 267

The Company has a credit facility with a bank providing for borrowings not to exceed \$25 million in the form of two credit facilities. The Tranche A facility provides for borrowing of up to \$20 million and is available for business acquisitions and has a term repayment option. The Tranche A facility expires on December 31, 2000. The Tranche B facility provides for borrowing not to exceed \$5 million and is available for general working capital needs. The Tranche B facility expires September 30, 2002. As of December 31, 1999, there was \$6.7 million borrowed against the Tranche A facility. The credit facility is unsecured and subject to certain restrictive covenants including minimum earnings before interest, taxes, depreciation and amortization. The Company was either in compliance with these covenants or had obtained applicable waivers at December 31, 1999.

The following is a summary of future payments required under the above obligations:

2000	\$ 189
2001	1,701
2002	1,679
2003	1,675
2004	1,675
	\$ 6,919

NOTE 4. PROPERTY, PLANT AND EQUIPMENT

The components of property, plant and equipment are summarized below:

	1999	1998
Land	\$ 5,099	\$ 5,099
Leasehold improvements	2,720	2,046
Equipment and software	17,917	14,432
Furniture and fixtures	4,220	2,984
	29,956	24,561
Less accumulated depreciation and amortization	(15,159)	(10,743)
	\$ 14,797	\$ 13,818

On October 2, 1998, the Company purchased 8.3 acres of undeveloped land in Santa Ana, California for approximately \$5.1 million. The Company had intended to construct a building on the land that would serve as the world headquarters. The Company has signed a lease to relocate its corporate headquarters and the Santa Ana training facility to Anaheim, California in 2001. With the signing of the lease the company will now market the land for sale. Management believes the land held for disposition is recorded at the lower of cost or net realizable value.

Included in the Company's property, plant and equipment are equipment and leasehold improvements under capital leases amounting to \$359 (1999) and \$974 (1998), net of accumulated depreciation of \$4,582 (1999) and \$3,863 (1998).

NOTE 5. WRITE-OFF OF MANAGEMENT SYSTEM AND SETTLEMENT OF FRANCHISE ARBITRATION

In the fourth quarter of 1999 the Company decided to discontinue the development of its proprietary management system and, accordingly, recorded a charge of \$3,338 comprised primarily of capitalized development costs. The Company is currently evaluating several "off-the-shelf" management systems to support company-wide sales force automation and class scheduling and registration.

During the year ended December 31, 1999, the Company settled a dispute with a previously terminated master franchisee resulting in a charge of \$303, which is included in the accompanying statements of income.

NOTE 6. INCOME TAXES

Income tax expense for the periods below differs from the amounts computed by applying the U.S. federal income tax rate of 35% to the pretax income as a result of the following:

	1999	1998	1997
Computed "expected" tax expense	\$ 3,996	\$ 3,393	\$ 2,059
Amortization of excess of cost over net assets acquired	63	15	15
State and local tax expense, net of federal income tax effect	494	578	345
Foreign income tax	—	—	201
Interest income from tax-free investments	(48)	(319)	(284)
Other	(352)	146	(67)
Income tax expense	\$ 4,153	\$ 3,813	\$ 2,269
Income tax expense consists of:			
Federal			
Current	\$ 3,258	\$ 2,843	\$ 1,755
Deferred	(389)	(332)	(243)
State and local			
Current	783	952	523
Deferred	(81)	(23)	(70)
Foreign	582	373	304
	\$ 4,153	\$ 3,813	\$ 2,269

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 1999 and 1998, are presented below:

	1999	1998
Deferred tax assets:		
Accounts receivable, principally due to allowance for doubtful accounts	\$ 340	\$ 509
Reserve for uninsured losses and litigation	163	308
Accrued expenses	1,106	1,013
Property, plant and equipment, principally due to differences in depreciation	1,147	221
Foreign Tax Credit carryforward	157	262
Deferred revenue	464	197
Other	64	—
	3,441	2,510
Deferred tax liabilities:		
Excess of cost over net assets of acquired companies	1,611	1,224
Loss on joint venture	139	(22)
Other	—	87
	1,750	1,289
Net deferred income taxes	\$ 1,691	\$ 1,221

NOTE 7. OTHER ASSETS

A. NOTES RECEIVABLE FROM OFFICERS

Included in other assets are notes receivable from officers of the Company in the aggregate amount of \$1,385. The notes receivable are demand notes, \$860 of which is collateralized by the proceeds from certain life insurance policies and bear interest at 7.3%. The remaining \$525 relates primarily to noninterest-bearing loans in connection with such officers' relocation expenses. The Company does not intend to demand repayment of these notes during fiscal 2000.

B. NON-CASH PROCEEDS OF SALE OF ENVIRONMENTAL BUSINESS

Other assets consists of:

	1999	1998
Notes receivable from ECB, Inc.	\$ 3,681	\$ 3,931
Valuation reserve for ECB, Inc.	(2,960)	(2,960)
Notes receivable from officers	1,385	625
Other	1,553	1,214
	\$ 3,659	\$ 2,810

The note receivable of \$3,681 from ECB, Inc. (see Note 14) bears interest, payable quarterly, at a rate of 6% with a valuation reserve of \$2,960. Effective March 31, 1998, interest is paid quarterly in arrears. Annual principal payments commenced in April 1999 with the minimum principal payments being \$250, \$500, and \$750, for 1999, 2000, and 2001, respectively, with the balance due April 30, 2002.

NOTE 8. OTHER CURRENT LIABILITIES

Other current liabilities consist of:

	1999	1998
Deferred revenues	\$ 8,318	\$ 5,084
Accounts payable to franchisees	3,882	3,497
Salaries, wages and commissions payable	3,266	2,813
Unexpended advertising fund	509	737
Payable to former franchisee pursuant to a franchise acquisition	294	—
Accrued franchise arbitration expenses	279	—
Accrued expenses in connection with the disposition of the environmental segment	667	1,078
Accrued operating expenses and other liabilities	3,353	3,215
	\$ 29,568	\$ 16,424

NOTE 9. EMPLOYEE SAVINGS PLAN

The Company has a 401(k) Profit Sharing Trust and Plan in which employees not currently covered by a collective bargaining agreement are eligible to participate. None of the Company's employees is currently covered by a collective bargaining agreement. The plan was established in 1995 and through December 31, 1998, was non-contributory. Effective January 1, 1999, the Board of Directors elected to match 25% of the employees' contributions.

NOTE 10. STOCK OPTION PLAN

The Company maintains a Key Employees Stock Option Plan and an Omnibus Equity Plan which provide for the issuance of non-qualified options, incentive stock options, and stock appreciation rights. These plans currently provide for the granting of options to purchase up to 1,267,572 shares of common stock. Incentive stock options are exercisable for up to ten years, at an option price of not less than the fair market value on the date the option is granted or at a price of not less than 110% of the fair market price in the case of an option granted to an individual who, at the time of grant, owns more than 10% of the Company's common stock. Non-qualified stock options may be issued at such exercise price and on such other terms and conditions as the Compensation Committee of the Board of Directors may determine. Optionees may also be granted stock appreciation rights under which they may, in lieu of exercising an option, elect to receive cash or common stock, or a combination thereof, equal to the excess of the fair market value of the common stock over the option price. All options were granted at fair market value at dates of grant.

In 1999 and 1998 the Company granted to certain officers of the Company options to purchase up to a maximum of 57,916 shares and 51,875 shares, respectively, of the Company's common stock. The options had an exercise price of \$17.00 and \$10.22 per share, respectively, which was the fair market value on the date of grant. The number of options was dependent on the officers meeting certain performance criteria. As of December 31, 1999 and 1998, the officers had been granted options to purchase 16,250 shares and 49,441 shares of common stock. For the year ended December 31, 1999 and 1998, the Company recorded compensation expense of zero and \$410 associated with the option grants.

Directors of the Company who are not employees currently hold options to acquire a total of 312,500 shares pursuant to option plans and agreements adopted exclusively for their benefit. The exercise price under all of such options was the fair market value as of the date of grant, and no further options may be awarded under such plans and agreements. The Company's Omnibus Equity Plan permits awards of options to be made to the non-employee Directors of the Company in addition to its employees, but no awards have been made to them under that plan.

Changes in shares under option for 1999, 1998 and 1997 are summarized as follows:

	1999		1998		1997	
	SHARES	WEIGHTED AVERAGE PRICE	SHARES	WEIGHTED AVERAGE PRICE	SHARES	WEIGHTED AVERAGE PRICE
Outstanding, beginning of year	1,102,878	\$ 8.75	840,312	\$ 7.26	774,551	\$ 6.16
Granted	273,808	15.81	312,566	12.29	250,000	11.62
Exercised	(7,812)	10.06	(43,750)	5.20	(168,051)	6.27
Canceled	(90,625)	12.87	(6,250)	10.22	(16,188)	7.09
Outstanding, end of year	1,278,249	9.97	1,102,878	8.75	840,312	7.26
Options exercisable, end of year	876,125	\$ 8.22	669,062	\$ 7.32	517,812	\$ 5.70
Weighted average fair value of options granted during the year	\$ 6.58		\$ 6.31		\$ 6.17	

Outstanding stock options at December 31, 1999 consist of the following:

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE		
	SHARES	WEIGHTED AVERAGE REMAINING LIFE (YEARS)	WEIGHTED AVERAGE PRICE	SHARES	WEIGHTED AVERAGE PRICE	
\$ 4.80 - \$ 7.05	593,750	4.0	\$ 6.23	593,750	\$ 6.23	
8.85 - 12.50	354,499	3.5	11.00	206,125	11.38	
13.38 - 18.88	330,000	4.7	15.57	76,250	15.20	
\$ 4.80 - \$18.88	1,278,249	4.0	\$ 9.97	876,125	\$ 8.22	

The fair value of each option grant was estimated as of the grant date using the Black-Scholes option-pricing model assuming a risk-free interest rate of 6.1%, volatility of 27%, and zero dividend yield for 1999 and a risk-free interest rate of 6.5%, volatility of 55% and zero dividend yield for 1998, with expected lives of six years for both periods. The Company applies Accounting Principles Board Opinion 25 and related interpretations in accounting for its plans. If compensation expense was determined based on the fair value method under the provisions of SFAS No. 123, the Company's net income and net income per share would have been reduced to the pro forma amounts indicated below:

		1999	1998
Net income	As reported	\$ 7,263	\$ 5,882
	Pro forma	6,803	5,581
Basic earnings per share	As reported	\$ 0.76	\$ 0.64
	Pro forma	0.71	0.61
Diluted earnings per share	As reported	\$ 0.72	\$ 0.61
	Pro forma	0.68	0.58

As of December 31, 1999, there were 1,084,389 shares of common stock under the Stock Option Plans that were available for future grant.

On December 31, 1997, the Company granted warrants to purchase up to 43,750 shares of its common stock at a price of \$10.00 per share to a consultant to the Company. The Company recorded the fair value of these warrants (\$275) as compensation expense over the two-year vesting period of the warrants.

NOTE 11. COMMITMENTS AND CONTINGENCIES

LEASES

The Company leases its offices, training facilities, and certain equipment under operating and capitalized lease obligations. Operating leases expire on various dates through 2009. The Company recognizes rent expense on a straight line basis and records deferred rent based on the difference between cash paid and straight line expense. Rent expense was \$5,457, \$3,331, and \$2,741 for 1999, 1998, and 1997, respectively.

Under the terms of the leases, future minimum commitments at December 31, 1999 are as follows:

YEAR ENDING DECEMBER 31	CAPITAL LEASES	OPERATING LEASES
2000	\$ 228	\$ 6,111
2001	34	5,957
2002	2	5,346
2003	—	4,012
2004	—	3,724
2005 & after	—	7,241
Total future minimum lease payment	264	\$ 32,391
Less: Amount representing interest	(45)	
	219	
Less: Current portion	(189)	
	\$ 30	

LITIGATION

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position or results of operations.

NOTE 12. ACQUISITIONS

A. ALBUQUERQUE, NEW MEXICO FRANCHISE

On March 1, 1999, the Company purchased the assets of its franchise in Albuquerque, New Mexico. The consideration paid included \$2,787 in cash, net of cash acquired, and 48,691 shares (38,953 shares prior to the Company's stock split) of the Company's common stock. Based upon the average price of the Company's stock seven days before and after the date of the transaction, (\$16.23 per share), total consideration paid for this acquisition was \$3,577. The selling shareholders will receive additional consideration, in cash and stock, if certain performance targets are achieved. The acquisition has been recorded using the purchase method of accounting and the operating results have been included in the Company's financial statements from the date of acquisition. The acquisition resulted in goodwill of \$3,779 which is being amortized over 25 years.

B. CHARLOTTE, NORTH CAROLINA FRANCHISE

On April 1, 1999, the Company purchased the assets of its franchise in Charlotte, North Carolina. The consideration paid included \$3,023 in cash, net of cash acquired, and 50,110 shares (40,088 shares prior to the Company's stock split) of the Company's common stock. Based upon the average price of the Company's stock seven days before and after the date of

the transaction, (\$15.35 per share), total consideration paid for this acquisition was \$3,793. The selling shareholder will receive additional consideration, in cash and stock, if certain performance targets are achieved. The acquisition has been recorded using the purchase method of accounting and the operating results have been included in the Company's financial statements from the date of acquisition. The acquisition resulted in goodwill of \$4,121 which is being amortized over 25 years.

C. SACRAMENTO AND STOCKTON, CALIFORNIA FRANCHISES

On April 1, 1999, the Company purchased the assets of its franchises in Sacramento and Stockton, California. The consideration paid included \$2,903 in cash, net of cash acquired. The selling shareholder will receive additional cash consideration if certain performance targets are achieved. The acquisition has been recorded using the purchase method of accounting and the operating results have been included in the Company's financial statements from the date of acquisition. The acquisition resulted in goodwill of \$3,463 which is being amortized over 25 years.

D. SAN ANTONIO, TEXAS FRANCHISE

On May 6, 1999, the Company purchased the assets of its franchise in San Antonio, Texas. The consideration paid included \$3,686 in cash, net of cash acquired, and 63,244 shares (50,595 shares prior to the Company's stock split) of the Company's common stock. Based upon the average price of the Company's stock seven days before and after the date of the transaction, (\$16.50 per share), total consideration paid for this acquisition was \$4,730. The selling shareholder will receive additional consideration, in cash and stock, if certain performance targets are achieved. The acquisition has been recorded using the purchase method of accounting and the operating results have been included in the Company's financial statements from the date of acquisition. The acquisition resulted in goodwill of \$4,522 which is being amortized over 25 years.

E. DENVER, COLORADO FRANCHISE

On September 1, 1999, the Company purchased the assets of its franchise in Denver, Colorado. The consideration paid included \$13,635 in cash, net of cash acquired, and 21,634 shares of the Company's common stock. Based upon the average price of the Company's stock seven days before and after the date of the transaction, (\$17.56 per share), total consideration paid for this acquisition was \$14,014. The selling shareholders will receive additional consideration, in cash and stock, if certain performance targets are achieved. The acquisition has been recorded using the purchase method of accounting and the operating results have been included in the Company's financial statements from the date of acquisition. The acquisition resulted in goodwill of \$13,164 which is being amortized over 25 years.

F. CASH PAID FOR PREVIOUS ACQUISITIONS

During the twelve months ended December 31, 1999, the Company granted additional consideration for previous acquisitions of \$2,336 in cash and 42,545 in shares of the Company's stock due to the acquired centers meeting certain performance targets.

If the results from the acquired locations had been included in the results of operations at the beginning of each year presented below, the Company's revenue, net income, and earnings per share would have approximated the following:

	1999	1998
Revenue	\$ 123,114	\$ 100,616
Net Income	\$ 7,020	\$ 7,122
Basic Earnings Per Share	\$ 0.72	\$ 0.77
Diluted Earnings Per Share	\$ 0.69	\$ 0.73

NOTE 13. QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data for continuing operations for 1999 and 1998 is as follows:

YEAR ENDED DECEMBER 31, 1999	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Revenues	\$ 22,102	\$ 27,900	\$ 30,581	\$ 30,893
Operating income	2,410	3,922	4,712	83
Net income	1,619	2,474	3,011	159
Basic earnings per share	0.17	0.26	0.32	0.02
Diluted earnings per share	0.16	0.25	0.30	0.02

YEAR ENDED DECEMBER 31, 1998	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Revenues	\$ 14,685	\$ 17,810	\$ 19,659	\$ 20,475
Operating income	1,073	2,267	2,827	2,359
Net income	811	1,637	1,869	1,565
Basic earnings per share	0.09	0.18	0.20	0.17
Diluted earnings per share	0.09	0.17	0.19	0.16

NOTE 14. DISCONTINUED OPERATIONS

In 1996 the Company sold Handex Environmental, Inc. to ECB, Inc. and has reflected its net assets and results of operations as discontinued operations in the accompanying consolidated financial statements. Operating results for 1999, 1998, and 1997 were as follows:

	1999	1998	1997
Net operating revenues	\$ —	\$ —	\$ —
Income before income taxes	\$ —	\$ —	\$ 349
Income taxes	—	—	—
Net income	\$ —	\$ —	\$ 349

Remaining assets and liabilities of Handex Environmental are recorded at their expected realization value.

NOTE 15. SEGMENT REPORTING

The Company operates in two business segments – company-owned training centers and franchising operations. The company-owned training centers segment operates wholly-owned computer training centers in the United States and derives its revenues from the operating revenues of those centers. The franchising segment franchises computer training centers domestically and internationally and supplies systems of instruction and sales and management concepts concerning computer training to independent franchisees. The franchising segment revenues are from the initial franchise fees and royalties from the franchise operations and other revenue such as from the Corporate Education Solutions program. The two segments are managed separately because of the differences in the source of revenues and the services offered. Information on the Company's segments is as follows:

	COMPANY-OWNED CENTERS	FRANCHISING	EXECUTIVE OFFICE	DISCONTINUED OPERATIONS	CONSOLIDATED
FOR THE YEAR ENDED DECEMBER 31, 1999					
Revenues from external customers	\$ 86,520	\$ 24,956	\$ —	\$ —	\$ 111,476
Interest income	453	190	—	—	643
Interest expense	(331)	(23)	—	—	(354)
Depreciation and amortization expense	5,183	891	—	—	6,074
Write-off of management system	—	3,338	—	—	3,338
Income tax expense	2,853	1,300	—	—	4,153
Net income from continuing operations	5,027	2,236	—	—	7,263
Net deferred tax asset	(80)	1,771	—	—	1,691
Total assets	85,537	16,294	3,253	—	105,084
Additions to property, plant and equipment	4,840	1,922	(14)	—	6,748
FOR THE YEAR ENDED DECEMBER 31, 1998					
Revenues from external customers	\$ 52,545	\$ 20,084	\$ —	\$ —	\$ 72,629
Interest income	971	453	—	—	1,424
Interest expense	(229)	(26)	—	—	(255)
Depreciation and amortization expense	3,456	550	—	—	4,006
Income tax expense	1,308	2,505	—	—	3,813
Net income from continuing operations	2,526	3,356	—	—	5,882
Net deferred tax asset	249	972	—	—	1,221
Total assets	45,194	21,631	19,921	—	86,746
Additions to property, plant and equipment	2,445	5,914	—	—	8,359
FOR THE YEAR ENDED DECEMBER 31, 1997					
Revenues from external customers	\$ 38,692	\$ 13,941	\$ —	\$ —	\$ 52,633
Gain from release of certain franchise obligations	—	2,600	—	—	2,600
Interest income	866	435	—	—	1,301
Interest expense	(421)	(48)	—	—	(469)
Depreciation and amortization expense	3,377	409	—	—	3,786
Income tax expense (benefit)	(46)	2,315	—	—	2,269
Net income from continuing operations	434	3,180	—	—	3,614
Income from discontinued operations, net of applicable income taxes	—	—	—	349	349
Net deferred tax asset	655	211	—	—	866
Total assets	26,821	13,437	26,313	—	66,571
Additions to property, plant and equipment	2,536	1,914	—	—	4,450

MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

The common stock is traded on The Nasdaq Stock Market under the symbol NEWH. The following table sets forth the range of high and low bid quotations per share of common stock from January 1, 1998, through December 31, 1999, as reported by The Nasdaq Stock Market.

1999		HIGH	LOW
1st Quarter	(January 1 - March 31)	18.30	15.00
2nd Quarter	(April 1 - June 30)	19.75	14.30
3rd Quarter	(July 1 - September 30)	19.75	15.38
4th Quarter	(October 1 - December 31)	15.88	11.38

1998		HIGH	LOW
1st Quarter	(January 1 - March 31)	12.40	9.80
2nd Quarter	(April 1 - June 30)	16.00	10.80
3rd Quarter	(July 1 - September 30)	18.00	13.30
4th Quarter	(October 1 - December 31)	18.50	11.30

As of March 10, 2000, the Company's common stock was held by 298 holders of record. The Company has never paid cash dividends on its common stock and has no present intention to pay cash dividends in the foreseeable future. The Company currently intends to retain any future earnings to finance the growth of the Company.

BOARD OF DIRECTORS

Curtis Lee Smith, Jr.
Chairman of the Board

Stuart O. Smith
Vice Chairman of the Board

Thomas J. Bresnan
Chief Executive Officer

David A. Goldfinger
Member of Compensation and Audit Committees; President, M.S.C.I. Holdings, Inc.

William H. Heller
Member of Compensation and Audit Committees; William H. Heller & Associates

Richard L. Osborne
Member of Compensation and Audit Committees; Executive Dean, Weatherhead School of Management, Case Western Reserve University

Scott R. Wilson
Partner, Calfee, Halter & Griswold

OFFICERS

NEW HORIZONS WORLDWIDE, INC.

Curtis Lee Smith, Jr.
Chairman of the Board

Stuart O. Smith
Vice Chairman and Secretary

Thomas J. Bresnan
President and Chief Executive Officer

Robert S. McMillan
Vice President, Treasurer and Chief Financial Officer

Scott R. Wilson
Assistant Secretary

Nicola J. Trigg
Vice President and General Counsel

NEW HORIZONS COMPUTER LEARNING CENTERS, INC.

Thomas J. Bresnan
President and Chief Executive Officer

Kenneth M. Hagerstrom
Executive Vice President

Gene A. Longobardi
Senior Vice President, North American Operations

Robert S. McMillan
Senior Vice President, Chief Financial Officer, Treasurer and Assistant Secretary

Robert G. Shaw
Senior Vice President, International Operations

Dennis Ang
Vice President, Asia-Pacific Region

Tim Kleczka
Vice President, EMEA Region

Charles R. Lennon
Vice President, Marketing

David R. Sundstrom
Vice President, Strategic Opportunities

John W. Sawicki
Vice President, Corporate Education Solutions

Nicola J. Trigg
Vice President and General Counsel

Jerrell A. Wright
Vice President, Field Support

CORPORATE HEADQUARTERS

New Horizons Worldwide, Inc.
1231 E. Dyer Road, Suite 110
Santa Ana, CA 92705-5643

**CORPORATE &
STOCKHOLDER INFORMATION**

Investor Relations
New Horizons Worldwide, Inc.
1231 E. Dyer Road, Suite 110
Santa Ana, CA 92705-5643
714/432-7600, Ext. 9292

TRANSFER AGENT AND REGISTRAR

U.S. Stock Transfer
Corporation
Glendale, CA 91204

GENERAL COUNSEL

Calfee, Halter & Griswold
Cleveland, OH 44114

AUDITORS

Deloitte & Touche LLP
Costa Mesa, CA 92626

COMMON STOCK

Common Stock of New
Horizons Worldwide, Inc. is
traded on the NASDAQ
National Market System
under the symbol NEWH.

ANNUAL MEETING

May 2, 2000
Marriott Suites
500 Bayview Circle
Newport Beach, CA 92660

TRADEMARKS

New Horizons is a regis-
tered trademark of New
Horizons Education
Corporation. All other brand
names, company names and
trademarks contained in this
report are the property of
their respective owners.

LOCATIONS (AS OF MARCH 2000)

UNITED STATES ALABAMA Birmingham Huntsville Mobile Montgomery ARIZONA Phoenix Tucson ARKANSAS Little Rock CALIFORNIA Bakersfield Burbank Irvine Long Beach Los Angeles Modesto Oxnard Redding Riverside Rosamond Sacramento San Diego San Francisco San Jose Santa Ana Santa Cruz Stockton Thousand Oaks Walnut Creek COLORADO Broomfield Colorado Springs Denver Loveland CONNECTICUT Fairfield County Hartford New Haven DISTRICT OF COLUMBIA Washington, DC FLORIDA Clearwater Ft. Lauderdale Ft. Myers Jacksonville Miami Orlando Pensacola Tampa Bay West Palm Beach GEORGIA Atlanta IDAHO Boise ILLINOIS Chicago (Downtown) Chicago (Rosemont) Peoria Rockford INDIANA Indianapolis IOWA Cedar Rapids Des Moines Quad Cities KANSAS Kansas City Wichita KENTUCKY Ft. Mitchell Lexington Louisville LOUISIANA Baton Rouge Lafayette New Orleans Shreveport MARYLAND Baltimore Bethesda MASSACHUSETTS Boston Burlington Quincy Westborough MICHIGAN Detroit East Lansing Grand Rapids Livonia Southfield Troy MINNESOTA Minneapolis St. Paul MISSISSIPPI Biloxi Jackson MISSOURI Springfield St. Louis MONTANA Billings Missoula NEBRASKA Lincoln Omaha NEVADA Las Vegas NEW HAMPSHIRE Concord Nashua NEW JERSEY Iselin Princeton Voorhees NEW MEXICO Albuquerque NEW YORK Albany Long Island New York City (Mid-Town) New York City (Wall Street) Rochester Westbury Westchester NORTH CAROLINA Charlotte Greensboro Raleigh-Durham OHIO Akron Cincinnati Cleveland Columbus Dayton OKLAHOMA Oklahoma City Tulsa OREGON Beaverton Eugene Medford Portland Salem PENNSYLVANIA Philadelphia (King of Prussia) Harrisburg Pittsburgh (Canonsburg) Pittsburgh (Downtown) RHODE ISLAND Providence SOUTH CAROLINA Columbia Greenville TENNESSEE Chattanooga Jackson Kingsport Knoxville Memphis Nashville TEXAS Austin Corpus Christi Dallas Fort Worth Houston McAllen San Antonio VERMONT Burlington VIRGINIA McLean Richmond Virginia Beach WASHINGTON Bellevue Seattle Spokane Vancouver WEST VIRGINIA Charleston WISCONSIN Appleton Green Bay Madison Milwaukee Racine/Kanosh

INTERNATIONAL ARGENTINA Buenos Aires AUSTRALIA Sydney AUSTRIA Vienna BAHRAIN Manama BANGLADESH Dhaka BELGIUM Antwerp Brussels BRAZIL Sao Paulo CANADA-ALBERTA Calgary CANADA-BRITISH COLUMBIA Vancouver CANADA-QUEBEC Montreal CHILE Santiago CHINA Shanghai COLOMBIA Bogata COSTA RICA San Jose EGYPT Alexandria Cairo EL SALVADOR San Salvador ENGLAND Birmingham Bristol London Manchester Nottingham Yorkshire FRANCE Bordeaux Lille Lyon Marseille Nice Rouen Toulouse GERMANY Berlin Cologne Hamburg Hannover Munich GREECE Athens GUATEMALA Guatemala City ITALY Milan JAPAN Hiroshima Kanazawa Meguro Nagoya Omiya Osaka Sapporo Shinjuku Yokohama KUWAIT Kuwait City LEBANON Beirut Hamra MALAYSIA Ipoh Johor Bahru Kuala Lumpur Kuantan Kuching Malacca Penang Petaling Jaya MEXICO Mexicali Mexico City Monterrey Tijuana NEW ZEALAND Auckland Wellington NETHERLANDS Rotterdam OMAN Ruwi PAKISTAN Karachi PANAMA Panama City PERU Lima PUERTO RICO Ponce QATAR Doha SAUDI ARABIA Abha Al-Jubail Al-Khobar Jeddah Khamis Mushait Riyadh SCOTLAND Edinburgh SINGAPORE Singapore SOUTH AFRICA Bloemfontein Cape Town Durban Johannesburg Port Elizabeth SOUTH KOREA Seoul SPAIN Barcelona TAIWAN Taipei UNITED ARAB EMIRATES Abu Dhabi Dubai VENEZUELA Caracas ZIMBABWE Harare



Worldwide, Inc.

1231 E. Dyer Road, Suite 110

Santa Ana, CA 92705-5643

Phone 714.432.7600

Fax 714.432.7676

www.newhorizons.com