

# **Eastwood Grange Company Limited**

Directors' report and financial statements

Year ended 31 December 2007

Registered number 02489371

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## Contents

Directors' report	1
Statement of directors' responsibilities	3
Independent auditors' report to the members of Eastwood Grange Company Limited	4
Profit and loss account	5
Balance sheet	6
Notes	7

## Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2007

### Principal activities

The company's principal activity during the year was the management and operation of an independent residential special school

### Business review

The results for the year are set out in the Profit and loss account on page 5 and the position of the company as at the year end is set out in the Balance sheet on page 6

On 4 June 2007, the company sold its trade and assets to Priory Education Services Limited (a fellow subsidiary undertaking) for a consideration of £1. This disposal was effected as part of a general re-organisation of the Group's structure.

The company ceased to trade with effect from that date.

Further information regarding the operations and key performance indicators of the group are set out in the directors' report of Priory Investments Holdings Limited.

### Dividends

Dividends of £nil were paid during the year (2006: £nil).

### Directors

The directors who held office during the year were as follows:

PJ Greensmith	(resigned 22 March 2007)
Dr CB Patel	(resigned 9 March 2007)
D Spruzen	(resigned 24 April 2007)
S Bradshaw	(appointed 16 April 2007)
Professor C Thompson	(appointed 16 April 2007)
S Mukerji	(appointed 2 May 2007)

In accordance with the articles of association, no directors retire by rotation.

### Auditors

In accordance with Section 386 of the Companies Act 1985 (as amended), the Company has elected to dispense with the obligation to appoint auditors annually. Accordingly, PricewaterhouseCoopers LLP will continue in office as auditors.

## Directors' report *(continued)*

### Provision of information to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Each director has taken all the steps that he ought to have taken as director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board



**S Mukerji**  
Company Secretary

Priory House  
Randalls Way  
Leatherhead  
Surrey  
KT22 7TP

1 July 2008

## Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## Independent auditors' report to the members of Eastwood Grange Company Limited

We have audited the financial statements of Eastwood Grange Company Limited for the year ended 31 December 2007 which comprise the Profit and loss account, the Balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

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

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' report is consistent with the financial statements.



**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
Reading

1 July 2008

**Profit and loss account**  
*for the year ended 31 December 2007*

	Note	2007 £000	2006 £000
<b>Turnover</b>		<b>1,154</b>	<b>2,954</b>
Cost of sales		(992)	(2,304)
<b>Gross profit</b>		<b>162</b>	<b>650</b>
Administrative expenses		(190)	(448)
<b>Operating (loss)/profit</b>		<b>(28)</b>	<b>202</b>
Profit on disposal of discontinued operations	2	152	-
Profit on disposal of fixed assets	2	1	-
<b>Profit on ordinary activities before interest and tax</b>		<b>125</b>	<b>202</b>
Interest receivable and similar income	5	178	137
Interest payable and similar charges	6	(1)	(2)
<b>Profit on ordinary activities before taxation</b>	2	<b>302</b>	<b>337</b>
Tax on profit on ordinary activities	7	(44)	(122)
<b>Profit for the financial year</b>	13	<b>258</b>	<b>215</b>

The results for the current and prior year derive from discontinued activities

The company had no other recognised gains or losses for the year other than the profit above, therefore no statement of total recognised gains and losses is presented

There is no difference between the profit before taxation and the profit for the year stated above and their historical cost equivalents

**Balance sheet**  
**at 31 December 2007**

	Note	2007 £000	2006 £000
<b>Fixed assets</b>			
Tangible assets	8	-	346
<b>Current assets</b>			
Debtors	9	2,961	2,636
Cash at bank and in hand		-	560
		<u>2,961</u>	<u>3,196</u>
<b>Creditors, amounts falling due within one year</b>	10	<u>(629)</u>	<u>(1,456)</u>
<b>Net current assets</b>			
Due within one year		(120)	(255)
Debtors due after more than one year	9	<u>2,452</u>	<u>1,995</u>
		<u>2,332</u>	<u>1,740</u>
<b>Total assets less current liabilities</b>		<u>2,332</u>	<u>2,086</u>
<b>Creditors: amounts falling due after more than one year</b>	11	<u>-</u>	<u>(12)</u>
<b>Net assets</b>		<u>2,332</u>	<u>2,074</u>
<b>Capital and reserves</b>			
Called up share capital	12	90	90
Other reserves	13	60	60
Profit and loss account	13	<u>2,182</u>	<u>1,924</u>
<b>Shareholders' funds – equity</b>	14	<u>2,332</u>	<u>2,074</u>

These financial statements were approved by the board of directors on 1 July 2008 and were signed on its behalf by



**S Mukerji**  
Director



## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in the company's financial statements

#### ***Basis of preparation***

The financial statements have been prepared in accordance with applicable UK accounting standards and UK company law and under the historical cost accounting rules

The ultimate parent company, Priory Investments Holdings Limited, has confirmed that it will continue to provide financial support to the company for the foreseeable future and for at least 12 months from the date of approval of these financial statements. Accordingly the financial statements have been prepared on the going concern basis.

Under Financial Reporting Standard 1 (revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Priory Investments Holdings Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group.

#### ***Tangible fixed assets and depreciation***

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	50 years
Plant, fixtures and fittings	-	3 to 16 years
Motor vehicles	-	over the shorter of the lease and 4 years

Land is not depreciated on the basis that land has an unlimited life.

#### ***Leases***

Assets acquired under finance leases are capitalised at cost and depreciated over the shorter of the term of the lease and the useful lives for tangible assets set out above. The capital element of future rentals is included under creditors. Interest is charged to the profit and loss account over the period of the lease in proportion to the balance of the capital payments outstanding. Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

#### ***Post-retirement benefits***

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

#### ***Taxation***

The charge for taxation is based on the profit for the year and takes into account taxation deferred. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

## Notes (continued)

### 1 Accounting policies (continued)

#### Group relief

Payment is generally made for group relief at the current tax rate at the time of first estimating the tax provision. To the extent that amendments are subsequently made to the group relief plan, there is generally no payment or receipt in respect of change.

#### Turnover and revenue recognition

Turnover represents the amounts (excluding value added tax) derived from the provision of services to customers. Revenue is recognised as the services are provided.

### 2 Profit on ordinary activities before taxation

	2007 £000	2006 £000
<b>Profit on ordinary activities before taxation is stated</b>		
<i>After charging</i>		
Auditors' remuneration (inclusive of VAT)		
Audit	3	3
Depreciation and other amounts written off tangible fixed assets		
Owned	33	76
Leased	4	12
Rentals under operating leases		
Hire of plant and machinery	1	3
Other operating leases	281	678
<i>After crediting</i>		
Profit on disposal of discontinued operations	152	-
Profit on disposal of fixed assets	1	-
	<hr/>	<hr/>

During the year, the company sold its trade, assets and liabilities to a fellow group company. An analysis of the assets and liabilities disposed of and the consideration received is given below.

	£000
Fixed assets	370
Net current liabilities	(514)
Long term liabilities	(8)
	<hr/>
	(152)
Consideration (£1)	-
	<hr/>
Profit on disposal of discontinued operations	(152)
	<hr/>

### 3 Remuneration of directors

Costs relating to the directors' services have been borne by Priory Central Services Limited, a fellow group company. No amounts have been recharged to the company in respect of the directors' services and the directors do not believe that it is practical to allocate these costs between group companies.

## Notes (continued)

### 4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows

	Number of employees	
	2007	2006
Teachers and social workers	21	55
Administrative staff	7	17
	<u>28</u>	<u>72</u>

The aggregate payroll costs of these persons were as follows

	2007 £000	2006 £000
Wages and salaries	578	1,385
Social security costs	53	128
Other pension costs	25	56
	<u>656</u>	<u>1,569</u>

### 5 Interest receivable and similar income

	2007 £000	2006 £000
Inter-company interest receivable	<u>178</u>	<u>137</u>

### 6 Interest payable and similar charges

	2007 £000	2006 £000
Finance charges payable in respect of finance leases	<u>1</u>	<u>2</u>

## Notes (continued)

### 7 Taxation

	2007 £000	2006 £000
<i>UK corporation tax</i>		
Current tax on income for the year	44	124
Adjustment relating to prior years	-	(2)
	<u>44</u>	<u>122</u>

The tax charge of £44,000 (2006 £124,000) on profits for the year has been relieved by the surrender of losses by other group companies in exchange for payment of the same amount

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30% (2006 30%)  
 The actual tax charge for the year is lower than (2006 higher than) the standard rate for the reasons set out in the following reconciliation

	2007 £000	2006 £000
Profit on ordinary activities before tax	302	337
	<u>91</u>	<u>101</u>
Tax on profit on ordinary activities at standard rate		
<i>Factors affecting charge for the year</i>		
Capital allowances for year in excess of depreciation	(3)	18
Other timing differences	(2)	(3)
Depreciation on non-qualifying assets	4	8
Profit on non-qualifying assets	(46)	-
Adjustment to tax charges in respect of prior years	-	(2)
	<u>44</u>	<u>122</u>
Total actual amount of current tax		

## Notes (continued)

### 8 Tangible assets

	Freehold land and buildings £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
<b>Cost</b>				
At beginning of the year	40	537	47	624
Additions	-	61	-	61
Disposals	(40)	(598)	(47)	(685)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of the year	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At beginning of the year	1	249	28	278
Charge for the year	1	32	4	37
On disposals	(2)	(281)	(32)	(315)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of the year	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 31 December 2007	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	39	288	19	346
	<hr/>	<hr/>	<hr/>	<hr/>

Included in the total net book value of motor vehicles is £nil (2006 £19,000) in respect of assets held under finance leases. Depreciation for the year on these assets was £4,000 (2006 £12,000)

Analysis of land and buildings at cost or valuation	2007 £000	2006 £000
At cost	-	39
	<hr/>	<hr/>

## Notes (continued)

### 9 Debtors

	2007 £000	2006 £000
<i>Amounts falling due within one year</i>		
Trade debtors	-	197
Amounts due from group undertakings	509	443
Prepayments and accrued income	-	1
	<hr/>	<hr/>
<i>Amounts falling due after more than one year</i>	509	641
Amounts due from group undertakings	2,452	1,995
	<hr/>	<hr/>
	<b>2,961</b>	<b>2,636</b>
	<hr/>	<hr/>

Amounts due from group undertakings due within one year are non-interest bearing and repayable on demand

Amounts due from group undertakings due after more than one year bear interest at LIBOR plus 2.25% per annum and are repayable on demand. It is not expected that the demand would be made or that these amounts will be received within the current year and accordingly these amounts have been shown as amounts due after more than one year.

### 10 Creditors: amounts falling due within one year

	2007 £000	2006 £000
Obligations under finance leases (see note 11)	-	10
Trade creditors	-	29
Amounts owed to group undertakings	585	449
Group relief payable	44	124
Other taxes and social security	-	38
Other creditors	-	7
Accruals and deferred income	-	799
	<hr/>	<hr/>
	<b>629</b>	<b>1,456</b>
	<hr/>	<hr/>

Amounts due to group undertakings are unsecured, non-interest bearing and repayable on demand

**Notes (continued)**

**11 Creditors: amounts falling due after more than one year**

	2007 £000	2006 £000
Obligations under finance lease contracts	-	12

Obligations under finance leases are payable as follows

	2007 £000	2006 £000
Within one year or less	-	10
Within one to two years	-	9
Within two to five years	-	3
	-	22

**12 Called up share capital**

	2007 £'000	2006 £'000
<b>Authorised</b>		
150,000 (2006 150,000) Ordinary shares of £1 each	150	150
<b>Allotted, called up and fully paid</b>		
90,000 (2006 90,000) Ordinary shares of £1 each	90	90

**13 Reserves**

	Other Reserves £000	Profit and loss account £000
At beginning of the year	60	1,924
Retained profit for the year	-	258
<b>At end of the year</b>	<b>60</b>	<b>2,182</b>

Other reserves are in respect of a capital redemption reserve

## Notes (continued)

### 14 Reconciliation of movements in shareholders' funds

	2007 £000	2006 £000
Profit for the financial year	258	215
<b>Net addition to shareholders' funds</b>	<b>258</b>	<b>215</b>
Opening shareholders' funds	2,074	1,859
<b>Closing shareholders' funds</b>	<b>2,332</b>	<b>2,074</b>

### 15 Commitments

Annual commitments under non-cancellable operating leases are as follows

	Land and buildings £000	2007 Other £000	Land and Buildings £000	2006 Other £000
Operating leases which expire Over five years	-	-	670	-

### 16 Contingent liabilities

The company has entered into banking facilities set-off agreements in respect of which guarantees have been given. The aggregate amount outstanding under the agreements was £nil at 31 December 2007 (2006 £nil).

Bank loans of a fellow group undertaking are secured by fixed and floating charges over all the assets of the company.

### 17 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the fund and amounted to £5,000 (2006 £13,000).

As at 31 December 2007, there were outstanding contributions of £nil (31 December 2006 £6,000).

The company participated in the Teachers' Pension Scheme ("the scheme") which is a government funded final salary scheme. The pension charge for the year was £20,000 (2006 £43,000). The company is unable to identify its share of the underlying assets and liabilities of the scheme in which it participates on a consistent and reliable basis. It has therefore taken advantage of the exemption under Financial Reporting Standard 17 paragraph 9 to treat the scheme as a defined contribution scheme.



## **Notes** *(continued)*

### **18 Ultimate parent company**

The company's immediate parent company, which is incorporated in England, is Priory Old Schools Services Limited

The ultimate parent company and the largest group of which the company is a member and for which group accounts are prepared is that headed by Priory Investments Holdings Limited. A copy of the consolidated accounts can be obtained from the Company Secretary at Priory House, Randalls Way, Leatherhead, Surrey KT22 7TP