Eastwood Grange Company Limited

Directors' report and financial statements

Year ended 31 December 2008

Registered number 02489371

Contents

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2008.

Principal activities

The company ceased to trade with effect from 4 June 2007. The company's principal activity was the management and operation of an independent residential special school. 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 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.

As the company is no longer trading:

- the directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance and position of the business; and
- it is not exposed to any risks beyond those exposed to the Group as a whole and are not management separately. Accordingly, the financial risk management policies of Priory Investments Holdings Limited, which include those of the company, are discussed in the Group's annual report which does not form part of this report.

Principal risks and uncertainties

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of Priory Investments Holdings Limited, which include those of the company, are discussed in the Group's annual report which does not form part of this report.

Dividends

Dividends of £nil were paid during the year *(2007: £nil)*.

Directors

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

S Bradshaw	(resigned [24 November 2008)
Professor C Thompson	(resigned 24 November 2008)
S Mukerji	(resigned 7 July 2008)
J Lock	(appointed 15 September 2008)
D Hall	(appointed 24 November 2008)

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

D Hall

D Hall
Company Secretary

Priory House
Randalls Way
Leatherhead
Surrey
KT22 7TP

28 May 2009

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board

D Hall

David Hall
Company Secretary

28 May 2009

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 2008 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 2008 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

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester

28 May 2009

Profit and loss account
for the year ended 31 December 2008

	Note	2008 £000	2007 £000
Turnover		-	1,154
Cost of sales		-	(992)
Gross profit		-	162
Administrative expenses		-	(190)
Operating profit/(loss)		-	(28)
Profit on disposal of discontinued operations	2	-	152
Profit on disposal of fixed assets	2	-	1
Profit on ordinary activities before interest and tax		-	125
Interest receivable and similar income	5	195	178
Interest payable and similar charges	6	-	(1)
Profit on ordinary activities before taxation	2	195	302
Tax on profit on ordinary activities	7	(56)	(44)
Profit for the financial year	11	139	258

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 2008

	Note	2008 £000	2007 £000
Current assets			
Debtors due within one year	8	**704**	509
Debtors due after more than one year	8	**2,452**	2,452
		3,156	2,961
Creditors: amounts falling due within one year	9	**(685)**	(629)
Net assets		**2,471**	2,332
Capital and reserves			
Called up share capital	10	**90**	90
Other reserves	11	**60**	60
Profit and loss account	11	**2,321**	2,182
Total shareholders' funds	12	**2,471**	2,332

The financial statements on pages 5 to 12 were approved by the board of directors on 28 May 2009 and were signed on its behalf by:

J Lock

J Lock
Director

Notes to 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 publicly available 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.

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.

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.

Notes to the financial statements *(continued)*

2 Profit on ordinary activities before taxation

	2008	2007
Profit on ordinary activities before taxation is stated	**£000**	£000
After charging:		
Auditors' remuneration (inclusive of VAT):		
Audit	-	3
Depreciation and other amounts written off tangible fixed assets:		
Owned	-	33
Leased	-	4
Rentals under operating leases:		
Hire of plant and machinery	-	1
Other operating leases	-	281
After crediting:		
Profit on disposal of discontinued operations	-	152
Profit on disposal of fixed assets	-	1

The remuneration of the auditors in the current year was borne by another group undertaking.

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.

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	
	2008	2007
By activity		
Teachers and social workers	-	21
Administrative staff	-	7
	-	28

The aggregate payroll costs of these persons were as follows:

	2008	2007
	£000	£000
Wages and salaries	-	578
Social security costs	-	53
Other pension costs (note 14)	-	25
	-	656

Notes to the financial statements *(continued)*

5 Interest receivable and similar income

	2008	2007
	£000	£000
Interest receivable from group undertakings	**195**	178

6 Interest payable and similar charges

	2008	2007
	£000	£000
Finance charges payable in respect of finance leases	-	1

7 Tax on profit on ordinary activities

	2008	2007
	£000	£000
UK corporation tax		
Current tax on income for the year	**56**	44

The tax charge of £56,000 *(2007: £44,000)* 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 28.5% *(2007: 30%)*. The actual tax charge for the year is the same as *(2007: lower than)* the standard rate for the reasons set out in the following reconciliation:

	2008	2007
	£000	£000
Profit on ordinary activities before tax	**195**	302
Tax on profit on ordinary activities at standard rate	**56**	91
Factors affecting charge for the year		
Capital allowances for year in excess of depreciation	-	(3)
Other timing differences	-	(2)
Depreciation on non-qualifying assets	-	4
Profit on non-qualifying assets	-	(46)
Total actual amount of current tax	**56**	44

Notes to the financial statements *(continued)*

8 Debtors

	2008 £000	2007 £000
Amounts falling due within one year		
Amounts due from group undertakings	**704**	509
Amounts falling due after more than one year		
Amounts due from group undertakings	**2,452**	2,452
	3,156	2,961

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.

9 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Amounts owed to group undertakings	**629**	585
Group relief payable	**56**	44
	685	629

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

10 Called up share capital

	2008 £'000	2007 £'000
Authorised		
150,000 *(2007: 150,000)* Ordinary shares of £1 each	**150**	150
Allotted, called up and fully paid		
90,000 *(2007: 90,000)* Ordinary shares of £1 each	**90**	90

Notes to the financial statements *(continued)*

11 Reserves

	Other Reserves £000	Profit and loss account £000
At beginning of the year	60	2,182
Profit for the financial year	-	139
At end of the year	**60**	**2,321**

Other reserves are in respect of a capital redemption reserve.

12 Reconciliation of movements in shareholders' funds

	2008 £000	2007 £000
Profit for the financial year	**139**	258
Net addition to shareholders' funds	**139**	258
Opening shareholders' funds	**2,332**	2,074
Closing shareholders' funds	**2,471**	2,332

13 Contingent liabilities

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

14 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 £nil *(2007: £5,000)*.

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 £nil *(2007: £20,000)*. 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 to the financial statements *(continued)*

15 Ultimate parent company

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

The ultimate parent company is Priory Investments Holdings Limited (incorporated in the Cayman Islands), which is the parent undertaking of the smallest and largest group to consolidate these financial statements. A copy of the consolidated financial statements can be obtained from the Company Secretary at Priory House, Randalls Way, Leatherhead, Surrey KT22 7TP.

The directors consider that there is no ultimate controlling party of the company.