

Autism (GB) Limited

Directors' report and financial statements

Year ended 31 December 2006

Registered number 4279530

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

Principal activities

The company's principal activity is the provision of schooling for children with autism

Business review

The results for the year are set out in the profit and loss account on page 5

Dividends

Dividends of £nil were paid during the year (2005 £3.1 million)

Directors and directors' interests

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	(appointed 27 July 2006, resigned 24 April 2007)

On 16 April 2007, S Bradshaw and Professor C Thompson were appointed as directors of the company. On 2 May 2007, Swagatam Mukerji was appointed as a director of the company.

In accordance with the articles of association, no directors retire by rotation. None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

The interests of Dr CB Patel in the shares of Priory Investments Holdings Limited (the ultimate parent company) are disclosed in the financial statements of that company.

The interests of PJ Greensmith and D Spruzen in the shares of Priory Investments Holdings Limited are set out below.

	Interest at end of year				Interest at beginning of year or date of appointment if later			
	A Ordinary shares	B Ordinary shares	Non Voting B Ordinary shares	Preference shares	A Ordinary shares	B Ordinary shares	Non Voting B Ordinary shares	Preference shares
PJ Greensmith	-	200,000	300,000	1,553,153	-	200,000	300,000	1,500,000
D Spruzen *	-	100,000	100,000	53,153	-	100,000	100,000	53,153

* B Ordinary shares and Non Voting B Ordinary shares held indirectly

Directors' report (continued)

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.

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 Bradshaw
Director

Priory House
Randalls Way
Leatherhead
Surrey
KT22 7TP

17 May 2007

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 Autism (GB) Limited

We have audited the financial statements of Autism (GB) Limited for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the note of historical cost profits and losses, the reconciliation of movement in shareholders' funds 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 2006 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
London

17 May 2007

Profit and loss account
for the year ended 31 December 2006

	Note	2006 £000	2005 £000
Turnover		4,630	4,288
Cost of sales		(3,746)	(2,731)
Gross profit		884	1,557
Administrative expenses		(365)	(351)
Operating profit		519	1,206
Profit on disposal of fixed assets		-	327
Profit on ordinary activities before interest and taxation		519	1,533
Other interest receivable and similar income	5	30	4
Interest payable and similar charges	6	(5)	(3)
Profit on ordinary activities before taxation	2	544	1,534
Tax on profit on ordinary activities	7	(158)	(365)
Profit for the financial year		386	1,169
Dividends		-	(3,061)
Amounts transferred to reserves		386	(1,892)

The results for the both the current and prior year derive from continuing activities

Balance sheet
at 31 December 2006

	Note	£000	2006 £000	£000	2005 £000
Fixed assets					
Tangible assets	8		447		220
Current assets					
Debtors	9	3,324		1,027	
Cash at bank and in hand		1,087		3,738	
		4,411		4,765	
Creditors amounts falling due within one year	10	(2,848)		(3,349)	
Net current assets					
Due within one year		1,124		-	
Debtors due after more than one year	9	439		1,416	
			1,563		1,416
Total assets less current liabilities			2,010		1,636
Creditors amounts falling due after more than one year	11		(35)		(47)
Net assets			1,975		1,589
Capital and reserves					
Called up share capital	12		1,035		1,035
Profit and loss account	13		940		554
Shareholders' funds – equity			1,975		1,589

These financial statements were approved by the board of directors on 17 May 2007 and were signed on its behalf by



S Bradshaw
Director

Statement of total recognised gains and losses
for the year to 31 December 2006

	2006 £000	2005 £000
Profit for the financial year	386	1,169
Unrealised surplus on revaluation of properties	-	-
	<hr/>	<hr/>
Total recognised gains for the year	386	1,169
	<hr/>	<hr/>

Note of historical cost profits and losses
for the year to 31 December 2006

	2006 £000	2005 £000
Reported profit on ordinary activities before taxation	544	1,534
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the re-valued amount	-	28
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	544	1,562
	<hr/>	<hr/>
Historical cost profit/(loss) for the year retained after taxation and dividends	544	(1,864)
	<hr/>	<hr/>

Reconciliation of movements in shareholders' funds
for the year to 31 December 2006

	2006 £000	2005 £000
Profit for the financial year	386	1,169
Dividends	-	(3,061)
	<hr/>	<hr/>
Net addition to shareholders' funds	386	(1,892)
Opening shareholders' funds	1,589	3,481
	<hr/>	<hr/>
Closing shareholders' funds	1,975	1,589
	<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of certain land and buildings

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

Assets in course of construction represent the direct costs of purchasing, constructing and installing tangible fixed assets ahead of their productive use. No depreciation is provided on an asset that is in the course of construction until it is completed and transferred to an asset heading that is appropriate

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 and long leasehold properties	-	50 years
Short leasehold properties	-	over the period of the lease
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. Where the valuation of land and buildings cannot be split, the Directors have estimated that the value attributable to land is 22% of the valuation of the land and buildings

Revaluation of properties

The company has adopted a policy of revaluation of its properties, as permitted by Financial Reporting Standard 15 - Tangible Fixed Assets. The assets are valued by independent Chartered Surveyors each year at the balance sheet date, on a rolling basis designed to ensure that all Group properties are specifically valued at least every five years. Any surplus or deficit on book value is transferred to the revaluation reserve, except that a deficit, which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account

Notes (continued)

1 Accounting policies (continued)

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. 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 a rate of 30% 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

	2006 £000	2005 £000
Profit on ordinary activities before taxation is stated after charging		
Auditors' remuneration (inclusive of VAT)		
Audit	5	5
Depreciation and other amounts written off tangible fixed assets		
Owned	60	101
Leased	28	21
Rentals under operating leases		
Hire of plant and machinery	20	14
Other operating leases	1,218	177
Profit on disposal of fixed assets	-	(327)
	<hr/>	<hr/>

Notes (continued)

3 Remuneration of directors

The directors received no emoluments for services to the company during the year (2005 £nil)

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	
	2006	2005
Teachers and social workers	120	125
Administrative staff	18	4
	<u>138</u>	<u>129</u>

The aggregate payroll costs of these persons were as follows

	2006 £000	2005 £000
Wages and salaries	2,067	1,895
Social security costs	174	155
Other pension costs	67	56
	<u>2,308</u>	<u>2,106</u>

5 Other interest receivable and similar income

	2006 £000	2005 £000
Inter-company interest receivable	<u>30</u>	<u>4</u>

6 Net interest payable and similar charges

	2006 £000	2005 £000
Bank charges	1	-
Finance charges payable in respect of finance leases	4	3
	<u>5</u>	<u>3</u>

Notes (continued)

7 Taxation

	2006 £000	2005 £000
<i>UK corporation tax</i>		
Current tax on income for the year	156	389
Adjustment relating to prior years	2	(23)
	<u>158</u>	<u>366</u>
Deferred tax	-	(1)
	<u>158</u>	<u>365</u>

The tax charge of £156,000 (2005 £389,000) 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% (2005 30%)
The actual tax charge for the year is above the standard rate for the reasons set out in the following reconciliation

	2006 £000	2005 £000
Profit on ordinary activities before tax	544	1,534
	<u>163</u>	<u>460</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	18	23
Other timing differences	(35)	(11)
Depreciation of non-qualifying assets	8	14
Profit/loss on non-qualifying assets	-	(98)
Expenses not deductible for tax purposes	2	1
Adjustment relating to prior years	2	(23)
	<u>158</u>	<u>366</u>
Total actual amount of current tax		

Notes (continued)

8 Tangible assets

	Assets in course of construction £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost or valuation				
At beginning of the year	13	221	129	363
Additions	1	293	21	315
Disposals	-	-	(5)	(5)
Transfers	(14)	14	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At end of the year	-	528	145	673
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At beginning of the year	-	84	59	143
Charge for the year	-	60	28	88
On disposals	-	-	(5)	(5)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of the year	-	144	82	226
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2006	-	384	63	447
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2005	13	137	70	220
	<hr/>	<hr/>	<hr/>	<hr/>

Included in the total net book value of motor vehicles is £63,000 (2005 £70,000) in respect of assets held under finance leases. Depreciation for the year on these assets was £28,000 (2005 £21,000).

9 Debtors

	2006 £000	2005 £000
<i>Amounts falling due within one year</i>		
Trade debtors	323	377
Amounts owed by group undertakings	2,557	643
Other debtors	2	5
Prepayments and accrued income	3	2
	<hr/>	<hr/>
	2,885	1,027
<i>Amounts falling due after more than one year</i>		
Amounts owed by group undertakings	439	-
	<hr/>	<hr/>
	3,324	1,027
	<hr/>	<hr/>

Notes (continued)

10 Creditors: amounts falling due within one year

	2006 £000	2005 £000
Obligations under finance lease contracts	26	21
Trade creditors	30	74
Amounts owed to group undertakings	1,001	950
Group relief payable	156	524
Other taxes and social security	50	46
Other creditors	3	3
Accruals and deferred income	1,582	1,731
	<hr/> 2,848 <hr/>	<hr/> 3,349 <hr/>

11 Creditors: amounts falling due after more than one year

	2006 £000	2005 £000
Obligations under finance lease contracts	35	47
	<hr/>	<hr/>

Obligations under finance leases are payable as follows

	2006 £000	2005 £000
Within one year or less	26	21
Within one to two years	20	21
Within two to five years	15	26
	<hr/> 61 <hr/>	<hr/> 68 <hr/>

12 Called up share capital

	2006 £	2005 £
Authorised		
2,400,000 (2005 2,400,000) Ordinary shares of 50 pence each	1,200,000	1,200,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
2,070,200 (2005 2,070,200) Ordinary shares of 50 pence each	1,035,100	1,035,100
	<hr/>	<hr/>

Notes (continued)

13 Reserves

	Profit and loss account £000
At beginning of the year	554
Retained profit for the year	386
	<hr/>
At end of the year	940
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14 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 2006 (2005 £nil).

15 Commitments

Annual commitments under non-cancellable operating leases are as follows

	Land and buildings £000	2006 Other £000	Land and buildings £000	2005 Other £000
Operating leases which expire				
In the second to fifth years inclusive	-	16	-	12
Over five years	1,204	-	1,218	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,204	16	1,218	12
	<hr/>	<hr/>	<hr/>	<hr/>

16 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 £27,000 (2005 £9,000).

As at 31 December 2006, there were outstanding contributions of £3,000 (2005 £2,000).

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 £40,000 (2005 £47,000). 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)

17 Ultimate parent company

The company is a subsidiary undertaking of Priory Education Services Limited, which is incorporated in England

The largest group in which the results of the company are consolidated is that headed by Priory Investments Holdings Limited. No other group accounts include the results of the company