

CASTLECARE EDUCATION LIMITED

Report and Financial Statements

31 December 2008

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CASTLECARE EDUCATION LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

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CASTLECARE EDUCATION LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors

C Dalton
R C C Smith
P F Jephcott
L A Jones (appointed 31 March 2009)

Company Secretary

P F Jephcott

Registered Office

The Manor House
Squire's Hill
Rothwell
Northamptonshire
NN14 6BQ

Bankers

Barclays Bank plc
1 Churchill Place
Canary Wharf
London
E14 5HP

Solicitors

Halliwells LLP
3 Hardman Square
Manchester
M3 3EB

Auditors

Deloitte LLP
Chartered Accountants and Registered Auditors
Manchester
United Kingdom

CASTLECARE EDUCATION LIMITED

DIRECTORS' REPORT

The directors present their annual report, together with the financial statements and auditors' report for the year ended 31 December 2008. This directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the Companies Act 1985.

PRINCIPAL ACTIVITY AND FUTURE PROSPECTS

The principal activity of the company during the year continued to be the provision of education for young adults. The directors expect a satisfactory performance from the company in the coming year.

RESULTS AND DIVIDENDS

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors do not recommend the payment of a dividend for the year (2007: £nil).

DIRECTORS

The directors who served the company during the year and thereafter were as follows:

D R Savage (resigned 30 March 2009)
C Dalton
R C C Smith
P F Jephcott
L A Jones (appointed 31 March 2009)

In accordance with the repeals of sections 324-326 and 328-329 and Parts 2 to 4 of Schedule 13 of the Companies Act 1985, no disclosure is prepared in respect of directors' interests in shares of the company.

AUDITORS


In the case of each of the persons who are directors of the company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any audit information (as defined) and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

On 1 December 2008, Deloitte & Touche LLP changed their name to Deloitte LLP. Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 26 May 2009
and signed on behalf of the Board


P F Jephcott
Secretary

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- 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 that disclose with reasonable accuracy at any time the financial position of the company and 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CASTLE CARE EDUCATION LIMITED

We have audited the financial statements of Castle Care Education Limited for the year ended 31 December 2008 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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).

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.

Deloitte LLP
Deloitte LLP

Chartered Accountants and Registered Auditors
Manchester, United Kingdom

28/05/2009

CASTLECARE EDUCATION LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2008

	Note	2008 £	2007 £
TURNOVER	2	1,917,153	1,219,090
Cost of sales		(1,368,652)	(681,042)
GROSS PROFIT		548,501	538,048
Administrative expenses		(312,328)	(309,536)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	236,173	228,512
Tax on profit on ordinary activities	5	(40,984)	(63,000)
PROFIT FOR THE FINANCIAL YEAR	12, 13	195,189	165,512

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the profit for the current year and loss for the prior year as set out above. Accordingly, no separate statement of total recognised gains and losses has been prepared.

CASTLECARE EDUCATION LIMITED

BALANCE SHEET As at 31 December 2008

	Note	2008 £	2007 £
FIXED ASSETS			
Tangible assets	6	115,188	6,820
CURRENT ASSETS			
Debtors	7	2,955,164	2,297,619
Cash at bank		132,182	112,952
		<u>3,087,346</u>	<u>2,410,571</u>
CREDITORS: Amounts falling due within one year	8	<u>(3,099,338)</u>	<u>(2,509,384)</u>
NET CURRENT LIABILITIES		<u>(11,992)</u>	<u>(98,813)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES BEING NET ASSETS/(LIABILITIES)		<u>103,196</u>	<u>(91,993)</u>
CAPITAL AND RESERVES			
Called up share capital	10	25,000	25,000
Profit and loss account	13	78,196	(116,993)
SHAREHOLDERS' FUNDS/(DEFICIT)	12	<u>103,196</u>	<u>(91,993)</u>

These financial statements were approved by the Board of Directors on 26 May 2009.

Signed on behalf of the Board of Directors



Director

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

As the company is a wholly owned subsidiary of Castlecare Group Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard No 8 and has not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

Going Concern

The company meets its day to day working capital requirements through its own working capital and also intra group funding within the Castlecare group.

As disclosed in the financial statements of the parent company, Castlecare Group Limited, the group meets its working capital requirements through its own working capital and also has available to it, if required, an overdraft facility. This overdraft facility is due for renewal in September 2010. The current economic environment could inevitably place financial pressure on our local authority customers, and hence impact the demand for our services. In this situation, the group's working capital would be adversely affected and could result in a need to use the overdraft facility. However, the group's forecasts and projections, taking account of reasonable possible changes in trading performance, show that the group will be able to operate within the level of its current facility.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. The directors enquiries have indicated that they believe such support will be available from the parent company should it be required. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as the ultimate parent company, Castlecare Group Limited, a company incorporated in England and Wales, prepares consolidated financial statements which are publicly available.

Tangible fixed assets

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

Depreciation is calculated so as to write off the cost or valuation of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold improvement - straight line over the life of the lease

Fixtures and fittings - straight line basis over between 3 and 10 years

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

1. ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Pensions

The company contributes towards employees' private pensions. All payments are in respect of defined contribution schemes and are charged to the profit and loss account in the period to which they relate.

Operating lease agreements

Rentals applicable of operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on a straight line basis over a period of the lease.

2. TURNOVER

The turnover represents amounts invoiced for services provided to other group companies, and to other third parties, excluding VAT, attributable to the principal activity of the company.

All turnover is derived in the United Kingdom.

3. PROFIT ON ORDINARY ACTIVITIES

	2008	2007
	£	£
Profit on ordinary activities is stated after charging:		
Depreciation – owned assets	28,098	4,899
Operating lease costs:		
Other	15,473	36,023
Land and buildings	25,170	-
	<u>25,170</u>	<u>-</u>

The auditors' remuneration is borne by the parent company. The directors estimate the audit fee for this company to be £32,500 (2007: £2,500).

CASTLECARE EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2008

4. PARTICULARS OF DIRECTORS AND EMPLOYEES

The average number of staff employed by the company, including directors, during the financial year was:

	2008 No.	2007 No.
Administrative	-	1
Management	1	1
Teaching staff	45	27
	<u>46</u>	<u>29</u>

The aggregate payroll costs of the above were:

	2008 £	2007 £
Wages and salaries	1,169,371	715,493
Social security costs	112,738	72,973
Pension costs	9,511	7,359
	<u>1,291,620</u>	<u>795,825</u>

	2008 £	2007 £
Directors' emoluments		
The directors' aggregate emoluments in respect of qualifying services were:		
Emoluments receivable	<u>76,449</u>	<u>73,275</u>

CASTLECARE EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2008

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Taxation

	2008 £	2007 £
Analysis of charge in year:		
Corporation tax on the profit for the year	40,984	63,000
Total tax on profit on ordinary activities	<u>40,984</u>	<u>63,000</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower (2007: lower) than the standard rate of corporation tax in the UK of 20.75% (2007: 30%). The differences are explained below:

	2008 £	2007 £
Profit on ordinary activities before taxation	236,173	228,512
Tax on profit on ordinary activities at 20.75% (2007: 30%)	49,006	68,554
Capital allowances in excess of depreciation	1,612	22
Expenses not deductible for tax purposes	(9,223)	(5,228)
Tax rate adjustment	6,767	(348)
Prior year adjustments	(7,178)	-
Total current tax charge for the year	<u>40,984</u>	<u>63,000</u>

6. TANGIBLE FIXED ASSETS

	Leasehold Improve- ments £	Fixtures and fittings £	Total £
Cost			
At 1 January 2008	-	15,827	15,827
Additions	77,388	59,078	136,466
At 31 December 2008	<u>77,388</u>	<u>74,905</u>	<u>152,293</u>
Depreciation			
At 1 January 2008	-	9,007	9,007
Charge for the year	12,584	15,514	28,098
At 31 December 2008	<u>12,584</u>	<u>24,521</u>	<u>37,105</u>
Net book value			
At 31 December 2008	<u>64,804</u>	<u>50,384</u>	<u>115,188</u>
At 31 December 2007	<u>-</u>	<u>6,820</u>	<u>6,820</u>

CASTLECARE EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2008

7. DEBTORS

	2008 £	2007 £
Trade debtors	177,925	55,000
Other debtors	732	-
Amounts owed by group undertakings	2,776,507	2,242,619
	<u>2,995,164</u>	<u>2,297,619</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £	2007 £
Trade creditors	7,765	-
Amounts owed to group undertakings	3,043,675	2,445,067
Corporation tax	25,000	63,000
Accruals and deferred income	22,898	1,317
	<u>3,099,338</u>	<u>2,509,384</u>

9. COMMITMENTS UNDER OPERATING LEASES

At 31 December the company had annual commitments under non-cancellable operating leases set out below:

	Land and buildings 2008 £	Other 2008 £	Land and buildings 2007 £	Other 2007 £
Operating leases which expire:				
- within one year	-	6,673	-	8,584
- within two to five years	23,400	28,510	-	12,133
	<u>23,400</u>	<u>35,183</u>	<u>-</u>	<u>20,717</u>

10. SHARE CAPITAL

	2008 £	2007 £
Authorised share capital:		
25,000 ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>
Allotted, called up and fully paid:		
25,000 ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>

11. CONTINGENT LIABILITIES

The company is party to a cross guarantee to secure the bank loans and overdrafts of certain group companies. As at 31 December 2008 total bank loans and overdrafts subject to this guarantee were £3,260,455 (2007: £4,160,455).

CASTLECARE EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	2008 £	2007 £
Profit for the financial year	195,189	165,512
Net addition to shareholders' deficit	195,189	165,512
Opening shareholders' deficit	(91,993)	(257,505)
Closing shareholders' funds/(deficit)	103,196	(91,993)

13. RESERVES

	Profit and loss account £
As at 1 January 2008	(116,993)
Retained profit for the year	195,189
As at 31 December 2008	78,196

14. ULTIMATE PARENT COMPANY

The largest group of which the results of the company are consolidated is that headed by Castlecure Group Limited, a company incorporated in England and Wales. The consolidated financial statements of this company are available to the public and may be obtained from The Manor House, Squires Hill, Rothwell, Northamptonshire, NN14 6BQ. No other consolidated financial statements include the results of the company.

15. ULTIMATE CONTROLLING PARTY

At the balance sheet date, in excess of 50% of the share capital of the parent company is held by various investment funds managed by Baird Capital Partners Europe Limited. Baird Capital Partners Europe Limited do not hold any shareholding in the share capital of Castlecure Group Limited, and their management of the funds is governed by individual management agreement contracts between themselves and the investors.