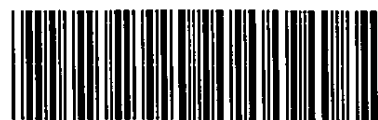


CASTLECARE EDUCATION LIMITED

**Annual Report and Financial Statements
For the year ended 31 December 2011**

THURSDAY



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03/05/2012
COMPANIES HOUSE

CASTLECARE EDUCATION LIMITED

REPORT AND FINANCIAL STATEMENTS 2011

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CASTLECARE EDUCATION LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors

C D Dalton (resigned 30 April 2011)
R C C Smith
P F Jephcott
L A Jones

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

Eversheds LLP
1 Wood Street
London
EC2V 7WS

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester
United Kingdom

CASTLE CARE EDUCATION LIMITED

DIRECTORS' REPORT

The directors present their annual report, together with the financial statements and auditor's report for the year ended 31 December 2011. This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

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.

An interim dividend of £100,000 (2010: £nil) was paid during the year.

DIRECTORS

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

C D Dalton (resigned 30 April 2011)
R C C Smith
P F Jephcott
L A Jones

GOING CONCERN

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Further details regarding the adoption of the going concern basis of accounting can be found in note 1 to the financial statements.

AUDITOR

In the case of each of the persons who is a director of the company at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he ought to have taken as a director to make himself aware of any audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP has expressed their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board of Directors on 27 March 2012
and signed on behalf of the Board


P F Jephcott
Secretary

CASTLECARE EDUCATION LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 accounting 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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 AUDITOR'S REPORT TO THE MEMBERS OF CASTLECARE EDUCATION LIMITED

We have audited the financial statements of Castlecure Education Limited for the year ended 31 December 2011 which the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

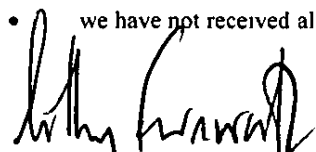
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report, or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Anthony Farnworth BA ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom

29 March 2012

CASTLECARE EDUCATION LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2011

	Note	2011 £	2010 £
TURNOVER	2	2,086,986	2,228,747
Cost of sales		<u>(1,495,785)</u>	<u>(1,595,765)</u>
GROSS PROFIT		591,201	632,982
Administrative expenses		<u>(349,731)</u>	<u>(479,017)</u>
PROFIT ON ORDINARY ACTIVITIES			
BEFORE TAXATION	3	241,470	153,965
Tax on profit on ordinary activities	5	<u>(65,265)</u>	<u>(37,718)</u>
PROFIT FOR THE FINANCIAL YEAR	13, 14	<u><u>176,205</u></u>	<u><u>116,247</u></u>

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 and prior year as set out above
Accordingly, a separate statement of total recognised gains and losses has not been prepared

CASTLECARE EDUCATION LIMITED

BALANCE SHEET As at 31 December 2011

	Note	2011 £	2010 £
FIXED ASSETS			
Tangible assets	6	32,184	57,203
CURRENT ASSETS			
Debtors	7	4,832,089	3,904,648
Cash at bank		112,795	221,410
		4,944,884	4,126,058
CREDITORS: Amounts falling due within one year	8	(4,613,850)	(3,896,248)
NET CURRENT ASSETS		331,034	229,810
NET ASSETS		363,218	287,013
CAPITAL AND RESERVES			
Called up share capital	10	25,000	25,000
Profit and loss account	14	338,218	262,013
SHAREHOLDER'S FUNDS	13	363,218	287,013

These financial statements of Castlecare Education Limited, company number 04525732, were approved by the Board of Directors on 27 May 2012

Signed on behalf of the Board of Directors



P Jephcott
Director

CASTLECARE EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2011

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

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's business activities, together with the principal risks and uncertainties it faces, are highlighted in the Directors' Report. In addition, the financial performance of the company is also provided.

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 ultimate parent company, Castlecare Group Limited, all outstanding bank loans of the Group were fully repaid during the year to 31 December 2010, thus the Group's operations are now only funded through shareholder loan notes. These loan notes (together with accrued interest) were due for repayment on 4 July 2011. In April 2011, £1.97 million of such loans, and £0.93 million (gross) of related interest were repaid out of the Group's existing cash resources. In addition £0.40 million of interest was formerly waived. Consequently the value of loan notes outstanding reduced to £10.84 million plus accrued interest (which amounted to £7.21 million as at 31 December 2011). All these loan notes are registered in the names of funds managed by Baird Capital Partners Europe Ltd.

Although the repayment of the loan notes is now overdue, the directors note that they have received formal notification from Baird Capital Partners Europe Ltd that no portion of the loan notes or accrued interest thereon, will be demanded for repayment, unless sufficient adequate financing is in place for the Group and after assessing all cash flow requirements for the foreseeable future. The Group also has available to it, if required, an overdraft facility of £500,000 which was renewed in September 2010 and has no confirmed renewal date.

Although the Group has net current liabilities and net liabilities, it has significant liquid resources and it continues to generate cash flows from its operations. The current economic environment could inevitably continue to place financial pressures on local authority customers, and hence impact the demand for services. However, the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group will be able to generate positive cash flows for the foreseeable future.

On the basis of the directors' assessment of the company's financial position and of the enquiries made of the directors of Castlecare Group Limited, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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.

CASTLECARE EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2011

1. ACCOUNTING POLICIES (continued)

Tangible fixed assets

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

Depreciation is provided on all tangible fixed assets at rates calculated to write off the costs less estimated residual values of each 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

Residual value is calculated on prices prevailing at the date of acquisition

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

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 charged to the profit and loss account in the period to which they relate

Operating lease agreements

Rentals under 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. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used

CASTLECARE EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2011

2. TURNOVER

Turnover represents amounts derived from the provision of goods and services after deduction of trade discounts and value added tax. The turnover and pre-tax profit, all of which arises in the United Kingdom, is attributable to the provision of education for young individuals requiring special care and attention and amounts invoiced for services provided to other group companies.

Turnover by class of business is as follows

	2011 £	2010 £
Provision of education for young individuals	1,372,736	1,535,927
Amounts invoiced for services provided to other group companies	714,250	692,820
	<u>2,086,986</u>	<u>2,228,747</u>

Revenue is recognised over the period that education and special care services are provided to customers.

3. PROFIT ON ORDINARY ACTIVITIES

	2011 £	2010 £
Profit on ordinary activities is stated after charging		
Depreciation – owned assets	25,019	29,732
Operating lease costs		
Other	17,153	13,117
Land and buildings	24,880	23,429
	<u>67,052</u>	<u>66,278</u>

The auditor's remuneration is borne by the parent company. The directors estimate the audit fee for this company to be £2,500 (2010: £2,500).

4. PARTICULARS OF DIRECTORS AND EMPLOYEES

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

	2011 No.	2010 No.
Management	1	1
Teaching staff	51	50
	<u>52</u>	<u>51</u>

CASTLECARE EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2011

4. PARTICULARS OF DIRECTORS AND EMPLOYEES (continued)

The aggregate payroll costs of the above were

	2011 £	2010 £
Wages and salaries	1,195,021	1,274,328
Social security costs	117,296	121,134
Pension costs	4,889	7,718
	<u>1,317,206</u>	<u>1,403,180</u>

	2011 £	2010 £
Directors' emoluments		
The directors' aggregate emoluments in respect of qualifying services were		
Emoluments receivable	<u>-</u>	<u>13,047</u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Taxation

	2011 £	2010 £
Analysis of charge in year		
Corporation tax on the profit for the year	12,000	15,000
Adjustment in respect of prior years	(6,000)	(3,004)
Payment for group relief	59,265	25,722
Total tax on profit on ordinary activities	<u>65,265</u>	<u>37,718</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher (2010 lower) than the standard rate of corporation tax in the UK of 26.5% (2010 28%). The differences are explained below

	2011 £	2010 £
Profit on ordinary activities before taxation	<u>241,470</u>	<u>153,965</u>
Tax on profit on ordinary activities at 26.5% (2010 28%)	63,990	43,110
Depreciation in excess of capital allowances	4,162	4,109
Expenses not deductible for tax purposes	1,788	7,393
Tax rate adjustment	-	(3,000)
Movement in short term timing differences	1,325	(10,640)
Group relief claimed	-	(250)
Prior year adjustments	(6,000)	(3,004)
Total current tax charge for the year	<u>65,265</u>	<u>37,718</u>

CASTLECARE EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2011

6. TANGIBLE FIXED ASSETS

	Leasehold improvements £	Fixtures and fittings £	Total £
Cost			
At 1 January 2011	77,388	61,607	138,995
Disposals	-	(3,555)	(3,555)
At 31 December 2011	<u>77,388</u>	<u>58,052</u>	<u>135,440</u>
Depreciation			
At 1 January 2011	37,670	44,122	81,792
Charge for the year	14,173	10,846	25,019
Disposals	-	(3,555)	(3,555)
At 31 December 2011	<u>51,843</u>	<u>51,413</u>	<u>103,256</u>
Net book value			
At 31 December 2011	<u>25,545</u>	<u>6,639</u>	<u>32,184</u>
At 31 December 2010	<u>39,718</u>	<u>17,485</u>	<u>57,203</u>

7. DEBTORS

	2011 £	2010 £
Trade debtors	207,868	47,880
Amounts owed by group undertakings	<u>4,624,221</u>	<u>3,856,768</u>
	<u>4,832,089</u>	<u>3,904,648</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £	2010 £
Amounts owed to group undertakings	4,417,629	3,785,342
Corporation tax	16,999	19,999
Accruals and deferred income	<u>179,222</u>	<u>90,907</u>
	<u>4,613,850</u>	<u>3,896,248</u>

CASTLECARE EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2011

9. COMMITMENTS UNDER OPERATING LEASES

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

	Land and buildings 2011 £	Other 2011 £	Land and buildings 2010 £	Other 2010 £
Operating leases which expire				
- within one year	-	3,303	-	3,899
- within two to five years	23,400	9,684	23,400	4,404
	<u>23,400</u>	<u>12,987</u>	<u>23,400</u>	<u>8,303</u>

10. SHARE CAPITAL

	2011 £	2010 £
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 2011 total bank loans and overdrafts subject to this guarantee were £nil (2010 £nil)

12. DIVIDEND

	2011 £	2010 £
Interim dividend paid of £4 per share (2010 £nil per share)	<u>100,000</u>	<u>-</u>

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2011 £	2010 £
Profit for the financial year	176,205	116,247
Dividend paid (note 12)	(100,000)	-
Net addition to shareholder's funds	<u>76,205</u>	<u>116,247</u>
Opening shareholder's funds	287,013	170,766
Closing shareholder's funds	<u>363,218</u>	<u>287,013</u>

CASTLECARE EDUCATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2011

14. RESERVES

	Profit and loss account £
As at 1 January 2011	262,013
Profit for the year	176,205
Dividend paid (note 12)	(100,000)
As at 31 December 2011	<u>338,218</u>

15. ULTIMATE PARENT COMPANY

The largest and smallest group into which the results of the company are consolidated is that headed by Castlecare 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.

16. 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 does not hold any shareholding in the share capital of Castlecare Group Limited, and their management of the funds is governed by individual management agreement contracts between themselves and the investors.