

**CASTLECARE EDUCATION LIMITED**

**Annual Report and Financial Statements**

**For the year ended 31 December 2012**

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## **CASTLECARE EDUCATION LIMITED**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS 2012**

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## **CASTLECARE EDUCATION LIMITED**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **Directors**

A Etherington (appointed 2 April 2012)  
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

## CASTLECARE 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 2012. 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 £nil (2011: £100,000) was paid during the year.

### DIRECTORS

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

A Etherington (appointed 2 April 2012)  
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 28 March 2013  
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 CASTLE CARE EDUCATION LIMITED**

We have audited the financial statements of Castlecure Education Limited for the year ended 31 December 2012 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 2012 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

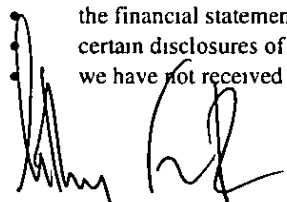
### **Opinion on other matter prescribed by the Companies Act 2006**

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

09/04/2013

# CASTLECARE EDUCATION LIMITED

## PROFIT AND LOSS ACCOUNT

Year ended 31 December 2012

	Note	2012 £	2011 £
<b>TURNOVER</b>	2	2,128,330	2,086,986
Cost of sales		(1,520,459)	(1,495,785)
<b>GROSS PROFIT</b>		607,871	591,201
Administrative expenses		(407,346)	(349,731)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	200,525	241,470
Tax on profit on ordinary activities	5	(56,693)	(65,265)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	13 14	143,832	176,205

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 2012

	Note	2012 £	2011 £
<b>FIXED ASSETS</b>			
Tangible assets	6	13,955	32,184
<b>CURRENT ASSETS</b>			
Debtors	7	5,512,024	4,832,089
Cash at bank		114,616	112,795
		5,626,640	4,944,884
<b>CREDITORS. Amounts falling due within one year</b>	8	(5,133,545)	(4,613,850)
<b>NET CURRENT ASSETS</b>		493,095	331,034
<b>NET ASSETS</b>		507,050	363,218
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	25,000	25,000
Profit and loss account	14	482,050	338,218
<b>SHAREHOLDER'S FUNDS</b>	13	507,050	363,218

These financial statements of Castlecare Education Limited, company number 04525732, were approved by the Board of Directors on 28 May 2013

Signed on behalf of the Board of Directors



P Jephcott  
Director



## CASTLECARE EDUCATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2012

#### 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.

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, the loan notes (together with accrued interest) payable to Baird Capital Partners Europe Ltd ("Bairds") were due for repayment on 4 July 2011. As a result of the loan notes not being repaid on this date, in line with the investment agreement, interest became repayable at a higher 14% per annum on the aggregate of the unpaid loan notes and unpaid at that date.

During the year, the company repaid £3.5m of overdue loan notes interest after a partial refinancing of the Group with a new secured bank loan of £2.7m and utilising existing cash resources. As a result of this repayment, Bairds formally agreed to waive the full amount of the increased interest charge as outlined above. Interest on the loan notes has thus now reverted to 12% per annum.

Although the repayment of the loan notes is still 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 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 2012

#### 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 pension contribution scheme. All payments are charged to the profit and loss account in the period to which they relate. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

##### **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 2012

#### 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

	2012 £	2011 £
Provision of education for young individuals	1,454,080	1,372,736
Amounts invoiced for services provided to other group companies	674,250	714,250
	<u>2,128,330</u>	<u>2,086,986</u>

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

#### 3. PROFIT ON ORDINARY ACTIVITIES

	2012 £	2011 £
Profit on ordinary activities is stated after charging		
Depreciation – owned assets	20,138	25,019
Operating lease costs		
Other	15,550	17,153
Land and buildings	25,320	24,880
	<u>40,988</u>	<u>47,052</u>

The auditor's remuneration is borne by the parent company. The directors estimate the audit fee for this company to be £2,500 (2011: £2,500).

#### 4. PARTICULARS OF DIRECTORS AND EMPLOYEES

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

	2012 No.	2011 No.
Management	1	1
Teaching staff	47	51
	<u>48</u>	<u>52</u>

# CASTLECARE EDUCATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2012

### 4. PARTICULARS OF DIRECTORS AND EMPLOYEES (continued)

The aggregate payroll costs of the above were

	2012 £	2011 £
Wages and salaries	1,187,143	1,195,021
Social security costs	112,612	117,296
Pension costs	6,519	4,889
	<u>1,306,274</u>	<u>1,317,206</u>

	2012 £	2011 £
<b>Directors' emoluments</b>		
The directors' aggregate emoluments in respect of qualifying services were		
Emoluments receivable	<u>-</u>	<u>-</u>

The director's received no remuneration from this company

### 5. TAX ON PROFIT ON ORDINARY ACTIVITIES

#### (a) Taxation

	2012 £	2011 £
Analysis of charge in year		
Corporation tax on the profit for the year	35,705	12,000
Adjustment in respect of prior years	133	(6,000)
Payment for group relief	20,855	59,265
Total tax on profit on ordinary activities	<u>56,693</u>	<u>65,265</u>

#### (b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher (2011 higher) than the standard rate of corporation tax in the UK of 24.5% (2011 26.5%). The differences are explained below

	2012 £	2011 £
Profit on ordinary activities before taxation	<u>200,525</u>	<u>241,470</u>
Tax on profit on ordinary activities at 24.5% (2011 26.5%)	49,129	63,990
Depreciation in excess of capital allowances	1,942	4,162
Expenses not deductible for tax purposes	1,144	1,788
Differences in tax rates	(1,045)	-
Movement in short term timing differences	2,450	1,325
Transfer pricing	2,940	-
Prior year adjustments	133	(6,000)
Total current tax charge for the year	<u>56,693</u>	<u>65,265</u>

# CASTLECARE EDUCATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2012

### 6 TANGIBLE FIXED ASSETS

	Leasehold improvements	Fixtures and fittings	Total
Cost	£	£	£
At 1 January 2012	77,388	58,052	135,440
Additions	1,475	434	1,909
At 31 December 2012	78,863	58,486	137,349
<b>Depreciation</b>			
At 1 January 2012	51,843	51,413	103,256
Charge for the year	14,173	5,965	20,138
At 31 December 2012	66,016	57,378	123,394
<b>Net book value</b>			
At 31 December 2012	13,847	1,108	13,955
At 31 December 2011	25,545	6,639	32,184

### 7. DEBTORS

	2012 £	2011 £
Trade debtors	25,918	207,868
Amounts owed by group undertakings	5,486,106	4,624,221
	5,512,024	4,832,089

### 8. CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £	2011 £
Amounts owed to group undertakings	5,044,536	4,417,629
Corporation tax	40,704	16,999
Accruals and deferred income	48,305	179,222
	5,133,545	4,613,850

# CASTLECARE EDUCATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2012

### 9 COMMITMENTS UNDER OPERATING LEASES

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

	Land and buildings 2012 £	Other 2012 £	Land and buildings 2011 £	Other 2011 £
Operating leases which expire				
- within one year	8,250	-	-	3,303
- within two to five years	15,000	8,070	23,400	9,684
	<u>23,250</u>	<u>8,070</u>	<u>23,400</u>	<u>12,987</u>

### 10. SHARE CAPITAL

	2012 £	2011 £
<b>Allotted, called up and fully paid:</b>		
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 2012 total bank loans and overdrafts subject to this guarantee were £nil (2011 £nil)

### 12. DIVIDEND

	2012 £	2011 £
Interim dividend paid of £nil per share (2011 £4 per share)	<u>-</u>	<u>100,000</u>

### 13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2012 £	2011 £
Profit for the financial year	143,832	176,205
Dividend paid (note 12)	-	(100,000)
Net addition to shareholder's funds	<u>143,832</u>	<u>76,205</u>
Opening shareholder's funds	363,218	287,013
Closing shareholder's funds	<u>507,050</u>	<u>363,218</u>

## CASTLECARE EDUCATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2012

#### 14 RESERVES

	Profit and loss account £
As at 1 January 2012	338,218
Profit for the year	143,832
As at 31 December 2012	<u>482,050</u>

#### 15 ULTIMATE PARENT COMPANY

The largest and smallest group into 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.

#### 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 Castlecure Group Limited, and their management of the funds is governed by individual management agreement contracts between themselves and the investors.