
Priory New Education Services Limited

Directors' report and financial statements

for the period from 13 April 2010 (date of incorporation) to 31 December 2010

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Priory New Education Services Limited

Contents

	Page
Directors' report	1 - 3
Independent auditors' report to the members of Priory New Education Services Limited	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 - 15

Priory New Education Services Limited

Directors' report for the period ended 31 December 2010

The directors present their report and the audited financial statements for the period ended 31 December 2010

Principal activities and review of business

The principal activity of the Company is the provision of specialist education and care for children who have emotional and behavioural difficulties, autistic spectrum difficulties, Asperger's Syndrome and dyslexia

The results for the period are set out in the Profit and loss account on page 5 and the position of the Company at the period end is set out in the Balance sheet on page 6. The company was incorporated on 13 April 2010. These are the Company's first financial statements.

As the company is focussed on the education sector, the performance of the company can be impacted by external factors. The principal factors are changes in the UK government's policy towards the outsourcing of education, changes in the regulatory regime and competitive threats from other independent providers. Management uses a range of financial and non financial indicators to manage the business. These are derived from all areas of the business and include sales growth by unit, occupancy and achieved profit margins. Gross profit margin for the period was 14.5%.

Results and dividends

The profit for the period, after taxation, amounted to £85,000.

The directors do not recommend payment of a dividend.

Directors

The directors who served during the period were:

P Scott (appointed 13 April 2010)

J Lock (appointed 13 April 2010)

M Franzidis (appointed 13 April 2010)

H Sharpe (appointed 13 April 2010)

D Hall (appointed 13 April 2010)

Key performance indicators

Given the straight forward nature of the business, the company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business. The development, performance and position of Priory Investments Holdings Limited, which includes this company, is 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.

Priory New Education Services Limited

Directors' report for the period ended 31 December 2010

Future developments

The future developments of the Company are aligned to the strategy of the Priory Group, headed by Priory Investments Holdings Limited. The Group's strategy for the future development of the business is included in the Group's annual report, which does not form part of this report.

Provision of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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.

Priory New Education Services Limited

**Directors' report
for the period ended 31 December 2010**

This report was approved by the board on 31 August 2011 and signed on its behalf



D Hall
Secretary
21 Exhibition House
Addison Bridge Place
London
W14 8XP

Priory New Education Services Limited

Independent auditors' report to the members of Priory New Education Services Limited

We have audited the financial statements of Priory New Education Services Limited for the period ended 31 December 2010 which comprise the Profit and loss account, the Balance sheet and the related notes. 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).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 2 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

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.

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 2010 and of its profit for the period 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.

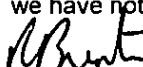
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period 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:

- 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.



Richard Bunter (Senior Statutory Auditor)

for and on behalf of

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Newcastle upon Tyne

31 August 2011

Priory New Education Services Limited

**Profit and loss account
for the period ended 31 December 2010**

		13 April 2010 to 31 December 2010 £000
	Note	
Turnover	2	949
Cost of sales		(811)
		<hr/>
Profit on ordinary activities before taxation		138
Tax on profit on ordinary activities	5	(53)
		<hr/>
Profit for the financial period	14	85
		<hr/> <hr/>

All results derive from continuing operations

There is no material difference between the loss on ordinary activities before taxation and the retained loss for the period stated above and their historical cost equivalents

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented

Priory New Education Services Limited
Registered number: 7221650

Balance sheet
as at 31 December 2010

	Note	£000	2010 £000
Fixed assets			
Intangible assets	6		272
Tangible assets	7		2,882
Investments	8		2,620
			5,774
Current assets			
Debtors amounts falling due after more than one year	9	718	
Debtors amounts falling due within one year	9	351	
Cash at bank		1,063	
		2,132	
Creditors amounts falling due within one year	10	(1,166)	
Net current assets			966
Total assets less current liabilities			6,740
Creditors amounts falling due after more than one year	11		(6,655)
Net assets			85
Capital and reserves			
Called up share capital	13		-
Profit and loss account	14		85
Total shareholders' funds	15		85

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 31 August 2011



J Lock
Director

The notes on pages 7 to 15 form part of these financial statements

Priory New Education Services Limited

Notes to the financial statements for the period ended 31 December 2010

1. Accounting policies

1.1 Basis of preparation of financial statements

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies applied consistently are set out below.

The company is a wholly owned subsidiary of Priory Investments Holdings Limited and is included in the consolidated financial statements of that company, which are publicly available. Consequently:

- The company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare group accounts on the grounds that it is included in the consolidated financial statements of a parent undertaking. These financial statements present information about the company as an individual undertaking and not about its group.
- the company is exempt under the terms of Financial Reporting Standard 8 "Related party transactions" from disclosing related party transactions with entities that form part of the Priory Investments Holdings Limited group, and
- the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996) "Cash flow statements".

1.2 Turnover

Turnover comprises revenue recognised by the Company in respect of services provided to customers, exclusive of Value Added Tax and trade discounts. Turnover is recognised as the services are provided. Turnover invoiced in advance is included in deferred income until service is provided. Turnover in respect of services provided but not yet invoiced by the period end is included within accrued income.

1.3 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Profit and loss account over its estimated economic life.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	50 years
Fixtures & fittings	-	3 to 16 years

1.5 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

Priory New Education Services Limited

**Notes to the financial statements
for the period ended 31 December 2010**

1. Accounting policies (continued)

1.6 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if 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 assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

1.7 Pensions

The Company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Company to the fund in respect of the period

1.8 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 the change

2. Turnover

The Company's turnover, profit on ordinary activities before taxation and net assets arise primarily from its principal activity of the provision of specialist education and care for children who have emotional and behavioural difficulties, autistic spectrum difficulties, Asperger's Syndrome and dyslexia

All turnover arose within the United Kingdom

3. Profit

The profit is stated after charging

	13 April 2010 to 31 December 2010 £000
Amortisation - intangible fixed assets	7
Depreciation of tangible fixed assets - owned by the company	55

During the period, no director received any emoluments

The remuneration of the auditors was borne by another Group undertaking

Priory New Education Services Limited

**Notes to the financial statements
for the period ended 31 December 2010**

4. Staff costs

Staff costs were as follows

	13 April 2010 to 31 December 2010 £000
Wages and salaries	490
Social security costs	42
Other pension costs	3
	<hr/>
	535
	<hr/>

The average monthly number of employees, including the directors, during the period was as follows

	13 April 2010 to 31 December 2010 No.
Teachers and social workers	25
Administration	3
	<hr/>
	28
	<hr/>

5. Taxation

	13 April 2010 to 31 December 2010 £000
Analysis of tax charge in the period	
Current tax (see note below)	
UK corporation tax charge on profit for the period	56
Deferred tax (see note 12)	
Origination and reversal of timing differences	(3)
	<hr/>
Tax on profit on ordinary activities	53
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Priory New Education Services Limited

Notes to the financial statements
for the period ended 31 December 2010

5. Taxation (continued)

Factors affecting tax charge for the period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 28%. The differences are explained below

	13 April 2010 to 31 December 2010 £000
Profit on ordinary activities before tax	138
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28%	39
Effects of	
Depreciation in excess of capital allowances	5
Depreciation of non qualifying assets	12
Current tax charge for the period (see note above)	56

The current tax charge of £56,000 will be relieved by the surrender of losses from other group companies in exchange for payment of the same amount

Factors that may affect future tax charges

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010, which was substantively enacted on 20 July 2010, includes legislation reducing the main rate of corporation tax from 28% to 27% from 1 April 2011. A further reduction to 25% from 1 April 2012 was substantively enacted on 5 July 2011. Future finance bills are expected to introduce additional reductions to 23%. It is currently expected that each future Finance Bill enacted will reduce the corporation tax rate by 1% until a final rate of 23% is reached by 2014/5. These rate reductions will be reflected in the deferred tax calculations when the Finance Bills are substantively enacted at the balance sheet date.

Priory New Education Services Limited

**Notes to the financial statements
for the period ended 31 December 2010**

6 Intangible fixed assets

	Goodwill £000
Cost	
Additions	279
At 31 December 2010	<u>279</u>
Amortisation	
Charge for the period	7
At 31 December 2010	<u>7</u>
Net book value	
At 31 December 2010	<u><u>272</u></u>

7. Tangible fixed assets

	Freehold property £000	Fixtures & fittings £000	Total £000
Cost			
Additions	2,381	556	2,937
At 31 December 2010	<u>2,381</u>	<u>556</u>	<u>2,937</u>
Depreciation			
Charge for the period	22	33	55
At 31 December 2010	<u>22</u>	<u>33</u>	<u>55</u>
Net book value			
At 31 December 2010	<u><u>2,359</u></u>	<u><u>523</u></u>	<u><u>2,882</u></u>

Priory New Education Services Limited

**Notes to the financial statements
for the period ended 31 December 2010**

8 Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 13 April 2010	-
Additions	2,620
At 31 December 2010	<u>2,620</u>
Net book value	
At 31 December 2010	<u><u>2,620</u></u>

Subsidiary undertakings

The following were subsidiary undertakings of the company

Name	Class of shares	Holding
EJ & JC Arrowsmith Limited	Ordinary	100%
Dunhall Property Limited	Ordinary	100%

9 Debtors

	2010 £000
Due after more than one year	
Amounts owed by group undertakings	715
Deferred tax asset (see note 12)	3
	<u>718</u>
Due within one year	
Trade debtors	311
Amounts owed by group undertakings	13
Prepayments and accrued income	27
	<u><u>351</u></u>

Amounts due from group undertakings due after more than one year are unsecured and bear interest at LIBOR plus 2 25% per annum

Amounts due from group undertakings due within one year are non-interest bearing and repayable on demand

Priory New Education Services Limited

Notes to the financial statements
for the period ended 31 December 2010

10. Creditors:
Amounts falling due within one year

	2010 £000
Trade creditors	27
Amounts owed to group undertakings	580
Group relief payable	56
Social security and other taxes	29
Accruals and deferred income	474
	<u>1,166</u>

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

11. Creditors
Amounts falling due after more than one year

	2010 £000
Amounts owed to group undertakings	<u>6,655</u>

Amounts due to group undertakings are unsecured, 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 paid within one year and accordingly these amounts have been shown as amounts falling due after more than one year.

12. Deferred taxation

	2010 £000
At beginning of period	-
Arising during period	3
	<u>3</u>
At end of period	<u>3</u>

The deferred taxation balance is made up as follows

	2010 £000
Accelerated capital allowances	<u>3</u>

Priory New Education Services Limited

**Notes to the financial statements
for the period ended 31 December 2010**

13. Share capital

	2010 £
Authorised	
1,000 Ordinary shares of £1 each	1,000
	<u>1,000</u>
Allotted, called up and fully paid	
1 Ordinary share of £1	1
	<u>1</u>

During the period one ordinary share was issued at par for cash consideration of £1

14. Reserves

	Profit and loss account £000
Profit for the period	85
	<u>85</u>
At 31 December 2010	<u>85</u>

15. Reconciliation of movement in shareholders' funds

	2010 £000
Opening shareholders' funds	-
Profit for the period	85
	<u>85</u>
Closing shareholders' funds	<u>85</u>

16. Pension commitments

The Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the fund and amounted to £3,000. At 31 December 2010, there were outstanding contributions of £1,000.

Priory New Education Services Limited

**Notes to the financial statements
for the period ended 31 December 2010**

17 Ultimate parent undertaking and controlling party

The company's immediate parent company, which is incorporated in the United Kingdom, is Priory New Investments No 3 Limited

At 31 December 2010, the company's ultimate parent company was 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 21 Exhibition House, Addison Bridge Place, London, W14 8XP. At that date, the directors considered that there was no ultimate controlling party of the company.

On 4 March 2011, Priory Investments Holdings Limited was acquired by Priory Group No 3 plc, a subsidiary of Priory Group Limited. As a result of the transaction, the company's ultimate parent company from 4 March 2011 onwards is Priory Group Limited (incorporated in England). Priory Group Limited is beneficially owned by funds managed by Advent International Corporation which is considered by the directors to be the ultimate controlling party of the company.