

Priory New Education Services Limited
Annual report and financial statements
for the year ended 31 December 2011

Registered number: 7221650

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Priory New Education Services Limited
Annual report and financial statements
for the year ended 31 December 2011
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Priory New Education Services Limited

Directors' report for the year ended 31 December 2011

The directors present their report and the audited financial statements of the company for the year ended 31 December 2011

Principal activities

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

Business review

The results for the year are set out in the Profit and loss account on page 6 and the position of the company as at the year end is set out in the Balance sheet on page 7

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 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 margins have decreased from 14.5% in 2010 to 8.5% in 2011.

Further information regarding the operations and key performance indicators of the group are set out in the directors' report of Priory Group No. 1 Limited.

The company's management is committed to a continued growth strategy.

Key performance indicators

Given the straightforward 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 Group No. 1 Limited, which includes the company, is discussed in the group's annual report which does not form part of this report.

Financial risk management

The company's operations mean that it is exposed to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and interest rate risk. The directors monitor the risks in order to limit the adverse effects on the financial performance by reviewing levels of debt finance and the related finance costs, however these are integrated with the risks of the group and not managed separately. Accordingly, the financial risk management policies of Priory Group No. 1 Limited, which include those of the company, are 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 Group No. 1 Limited, which include those of the company, are discussed in the Group's annual report which does not form part of this report.

Future developments

The future developments of the company are aligned to the strategy of the Priory Group, headed by Priory Group No. 1 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.

Priory New Education Services Limited

Results and dividends

The loss for the year, after taxation, amounted to £131,000 (2010 profit of £85,000)

The directors do not recommend the payment of a dividend (2010, £nil)

Going concern

The ultimate parent company, Priory Group No 1 Limited, has confirmed that it will continue to provide financial support to the company for the foreseeable future and for at least 12 months from the date of approval of these financial statements. Accordingly the financial statements have been prepared on the going concern basis.

Directors

The directors of the company who held office during the year and up to the date of signing the financial statements were as follows:

P Scott
J Lock
M Franzidis
H Sharpe
D Hall

In accordance with the articles of association, no directors retire by rotation.

Independent auditors

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

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.

Priory New Education Services Limited

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 prepared 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 judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements

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.

By order of the board



David Hall
Company Secretary
6 September 2012

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 year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Accounting Policies 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 3 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. 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 loss 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.

Priory New Education Services Limited

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
6 September 2012

Priory New Education Services Limited

Profit and loss account for the year ended 31 December 2011

	Note	Year ended 31 December 2011 £'000	Period ended 31 December 2010 £'000
Turnover	1	1,951	949
Cost of sales		(1,785)	(811)
Gross profit		166	138
Administrative expenses		(70)	-
Profit on ordinary activities before interest and taxation		96	138
Interest receivable and similar income	5	27	-
Interest payable and similar charges	6	(250)	-
(Loss)/profit on ordinary activities before taxation	1,2	(127)	138
Tax on (loss)/profit on ordinary activities	7	(4)	(53)
(Loss)/profit for the financial year	16	(131)	85

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

The company had no other recognised gains or losses for the year other than the (loss)/profit above, therefore no statement of total recognised gains and losses is presented

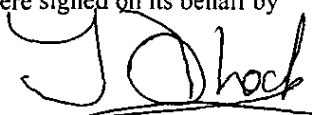
There is no difference between the (loss)/profit on ordinary activities before taxation and the (loss)/profit for the financial year stated above and their historical cost equivalents

Priory New Education Services Limited

Balance sheet as at 31 December 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Intangible assets	8	258	272
Tangible assets	9	3,358	2,882
Investments	10	2,578	2,620
		6,194	5,774
Current assets			
Debtors			
Amounts falling due after more than one year	11	719	718
Amounts falling due within one year	11	81	351
Cash at bank and in hand		382	1,063
		1,182	2,132
Creditors: amounts falling due within one year	12	(717)	(1,166)
Net current assets		465	966
Total assets less current liabilities		6,659	6,740
Creditors: amounts falling due after more than one year	13	(6,705)	(6,655)
Net (liabilities)/assets		(46)	85
Capital and reserves			
Called up share capital	15	-	-
Profit and loss account	16	(46)	85
Total shareholders' (deficit)/funds	17	(46)	85

The financial statements on pages 6 to 19 were approved by the board of directors on 6 September 2012 and were signed on its behalf by



Jason Lock
Director

Registered number 7221650

Priory New Education Services Limited

Statement of accounting policies

The following accounting policies have been applied consistently in the company's financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable UK accounting standards and UK company law and under the historical cost accounting rules

The prior year accounting period covered from the date of incorporation on 13 April 2010 to 31 December 2010

The ultimate parent company, Priory Group No 1 Limited, has confirmed that it will continue to provide financial support to the company for the foreseeable future and for at least 12 months from the date of approval of these financial statements. Accordingly the financial statements have been prepared on the going concern basis

The company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group financial statements 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

Under Financial Reporting Standard 1 'Cash flow statements' (revised 1996) 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 publicly available consolidated financial statements

As the company is a wholly owned subsidiary of Priory Group No 1 Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 'Related party disclosures' and has therefore not disclosed transactions or balances with entities which form part of the group

Goodwill

Goodwill relating to acquisitions of businesses, which represents the excess of the fair value of the consideration paid over the fair value of the assets and liabilities acquired, is capitalised in the balance sheet as an intangible asset in the year of acquisition and amortised over a period not exceeding 20 years, being the period expected to benefit

Tangible assets and depreciation

Tangible assets are stated at cost, net of accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use

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 property	- 50 years
Fixtures and fittings	- 3 to 16 years
Motor vehicles	- over the shorter of the lease term or 4 years

Land is not depreciated on the basis that land has an unlimited life

The expected useful lives of the assets to the business are re-assessed periodically in light of experience

Priory New Education Services Limited

Investments

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

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.

Deferred taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred.

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.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of 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. Deferred tax is measured in a non-discounted basis.

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.

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. Revenue invoiced in advance is included in deferred income until service is provided. Revenue in respect of services provided but not yet invoiced by the period end is included within accrued income.

Priory New Education Services Limited

Notes to the financial statements for the year ended 31 December 2011

1 Turnover and (loss)/profit on ordinary activities before taxation

The company's turnover, (loss)/profit on ordinary activities before taxation and net (liabilities)/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 and (loss)/profit on ordinary activities before taxation arose within the United Kingdom and from one class of business

2 (Loss)/profit on ordinary activities before taxation

(Loss)/profit on ordinary activities before taxation is stated after charging

	Year ended 31 December 2011 £'000	Period ended 31 December 2010 £'000
Amortisation of intangible fixed assets	14	7
Depreciation of tangible assets		
Owned	136	55
Leased	17	-

The remuneration of the auditors of £1,000 (2010 £1,000) was borne by another group undertaking

3 Remuneration of directors

The costs relating to the directors' services have been borne by Priory Central Services Limited, a fellow group company. No amounts have been recharged to the company in respect of the directors' services and the directors do not believe that it is practical to allocate these costs between group companies.

Priory New Education Services Limited

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year/period, analysed by category, was as follows

	Year ended 31 December 2011 Number	Period ended 31 December 2010 Number
By activity		
Teachers and social workers	52	35
Administrative staff	11	5
	63	40

The aggregate payroll costs of these persons were as follows

	Year ended 31 December 2011 £'000	Period ended 31 December 2010 £'000
Wages and salaries	1,093	490
Social security costs	94	42
Other pension costs	18	3
	1,205	535

5 Interest receivable and similar income

	Year ended 31 December 2011 £'000	Period ended 31 December 2010 £'000
Intercompany interest receivable	27	-

6 Interest payable and similar charges

	Year ended 31 December 2011 £'000	Period ended 31 December 2010 £'000
Intercompany interest payable	249	-
On finance leases and hire purchase contracts	1	-
	250	-

Priory New Education Services Limited

7 Tax on (loss)/profit on ordinary activities

	Year ended 31 December 2011 £'000	Period ended 31 December 2010 £'000
Analysis of tax charge in the year		
Current tax		
UK corporation tax charge on profit for the year	5	56
Deferred tax (see note 12)		
Adjustments in respect of prior periods	3	-
Origination and reversal of timing differences	(4)	(3)
Tax on profit on ordinary activities	4	53

The current tax charge of £5,000 (2010 £56,000) will be relieved by the surrender of losses from 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 26.49% (2010 28%)
The actual tax charge for the year is higher (2010 higher) than the standard rate for the reasons set out in the following reconciliation

	Year ended 31 December 2011 £'000	Period ended 31 December 2010 £'000
(Loss)/profit on ordinary activities before tax	(127)	138
Tax on (loss)/profit on ordinary activities at standard rate	(34)	39
Factors affecting charge for the year		
Adjustments in respect of prior periods	(2)	-
Depreciation in excess of capital allowances	4	5
Depreciation of non-qualifying assets	37	12
Total current tax charge for the year	5	56

The standard rate of corporation tax in the UK changed from 28% to 26% with effect from 1 April 2011. A further reduction in this corporation tax rate effective on 1 April 2012 from 26% to 25% was substantively enacted for the purposes of FRS 19 on 5 July 2011. Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 26.49% and deferred taxation has been calculated based on a rate of 25%.

Priory New Education Services Limited

7 Tax on (loss)/profit on ordinary activities (continued)

In addition to the changes in rates of corporation tax disclosed above a number of further changes to the UK corporation tax system were announced in the March 2012 UK Budget Statement. Changes to the corporation tax rate on 1 April 2012, substantively enacted for the purposes of FRS 19 on 26 March 2012, will reduce to 24%, a 1% reduction from the rate substantively enacted on 5 July 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 22% by 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The proposed reductions of the main rate of corporation tax by 1% per year to 22% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 25% to 22%, if these applied to the deferred tax balance at the balance sheet date, would be immaterial.

8 Intangible assets

	Goodwill £'000
Cost	
At 1 January 2011	279
Additions	-
At 31 December 2011	279
Amortisation	
At 1 January 2011	7
Charge for the year	14
At 31 December 2011	21
Net book amount	
At 31 December 2011	258
At 31 December 2010	272

Priory New Education Services Limited

9 Tangible assets

	Freehold property £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2011	2,381	556	-	2,937
Additions	18	542	69	629
At 31 December 2011	2,399	1,098	69	3,566
Accumulated depreciation				
At 1 January 2011	22	33	-	55
Charge for the year	48	88	17	153
At 31 December 2011	70	121	17	208
Net book amount				
At 31 December 2011	2,329	977	52	3,358
At 31 December 2010	2,359	523	-	2,882

The net book value of assets held under finance leases or hire purchase contracts, included within tangible assets, was as follows

	2011 £'000	2010 £'000
Motor vehicles	52	-

Priory New Education Services Limited

10 Investments

	Shares in group undertakings £'000
Cost or valuation	
At 1 January 2011	2,620
Additions	-
At 31 December 2011	2,620
Impairment	
At 1 January 2011	-
Impaired in the year	42
At 31 December 2011	42
Net book value	
At 31 December 2011	2,578
At 31 December 2010	2,620

The subsidiary undertakings in which the company's direct interest at the year end is more than 20% are as follows

Subsidiary undertaking	Principal activities	Country of incorporation	Class and percentage of shares held
Priory (Troup) House Limited (formerly EJ & JC Arrowsmith Limited)	Specialist education services	United Kingdom	100% ordinary
Dunhall Property Limited	Non trading	United Kingdom	100% ordinary

The directors consider that the carrying value of the investment is supported by its underlying net assets

Priory New Education Services Limited

11 Debtors

	2011	2010
	£'000	£'000
Due after more than one year		
Amounts owed by group undertakings	715	715
Deferred tax asset (see note 14)	4	3
	719	718
Due within one year		
Trade debtors	70	311
Amounts owed by group undertakings	-	13
Prepayments and accrued income	11	27
	81	351

Amounts owed by group undertakings due after more than one year are unsecured and bear interest at LIBOR plus 2.25% per annum

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

12 Creditors: amounts falling due within one year

	2011	2010
	£'000	£'000
Trade creditors	-	27
Amounts owed to group undertakings	311	580
Obligations under finance leases and hire purchase contracts	10	-
Group relief payable	5	56
Social security and other taxes	31	29
Other creditors	3	-
Accruals and deferred income	357	474
	717	1,166

Amounts owed to group undertakings are unsecured, non-interest bearing and repayable on demand

Priory New Education Services Limited

13 Creditors: amounts falling due after more than one year

	2011	2010
	£'000	£'000
Obligations under finance leases and hire purchase contracts	50	-
Amounts owed to group undertakings	6,655	6,655
	6,705	6,655

Obligations under finance leases and hire purchase contracts are payable as follows

	2011	2010
	£'000	£'000
In more than one year, but not more than five years	50	-
After five years	-	-
	50	-

Amounts owed to group undertakings are unsecured, bear interest at December 2011 LIBOR plus 2.25% per annum and are payable 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.

14 Deferred taxation asset

	2011	2010
	£'000	£'000
At 1 January 2011	3	-
Arising during the year	1	3
At 31 December 2011	4	3

The deferred taxation balance is made up as follows

	2011	2010
	£'000	£'000
Accelerated capital allowances	4	3

Priory New Education Services Limited

15 Called up share capital

	2011	2010
	£	£
Authorised		
1,000 (2010 1,000) ordinary shares of £1 each	1,000	1,000
Allotted and fully paid		
1 (2010 1) ordinary shares of £1 each	1	1

16 Profit and loss account

	£'000
At 1 January 2011	85
Loss for the financial year	(131)
At 31 December 2011	(46)

17 Reconciliation of movements in shareholders' (deficit)/funds

	2011	2010
	£'000	£'000
Opening shareholders' funds	85	-
(Loss)/profit for the year	(131)	85
Closing shareholders' (deficit)/funds	(46)	85

18 Commitments

Capital commitments at the end of the financial year, for which no provision has been made, are as follows

	2011	2010
	£'000	£'000
Contracted	86	-

Priory New Education Services Limited

19 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 £18,000 (2010 £3,000)

As at 31 December 2011, there were outstanding contributions of £2,000 (2010 £1,000)

20 Ultimate parent company and controlling party

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

The ultimate parent undertaking and controlling party is Priory Group No 1 Limited, a company incorporated in England. Priory Group No 1 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.

Priory Group No 1 Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2011. Priory Group No 3 PLC is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2011. The consolidated financial statements of Priory Group No 1 Limited and Priory Group No 3 PLC can be obtained from the Company Secretary at 21 Exhibition House, Addison Bridge Place, London, W14 8XP.