

Priory (Troup House) Limited
Annual report and financial statements
for the year ended 31 December 2012

Registered number: SC287396

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Priory (Troup House) Limited
Annual report and financial statements
for the year ended 31 December 2012
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Priory (Troup House) Limited

Directors' report for the year ended 31 December 2012

The directors present their report and the audited financial statements of the company for the year ended 31 December 2012.

Principal activities and review of business

The principal activity of the company is the provision of specialist education and care for children with learning and behavioural difficulties.

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 increased from (5.6%) in 2011 to 2.7% in 2012.

During the year, a charge of £2,000 (2011: £59,000) was recognised in respect of operating exceptional items as noted in note 2.

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.

The directors do not consider there to be a material difference between the net book value of land and buildings and their market value.

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.

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 include the company, are 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.

Priory (Troup House) Limited

Directors' report for the year ended 31 December 2012 (continued)

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.

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.

Dividends

The directors do not recommend the payment of a dividend (2011: £nil).

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 (resigned 28 November 2012)

H Sharpe

D Hall

T Rjall (appointed 5 April 2013)

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

Employees

The directors recognise that the continued position of the company in the education sector depends on the quality and motivation of its employees and as such the company is committed to pursue employment policies, which will continue to attract, retain and motivate its employees.

Good and effective employee communications are particularly important, and throughout the business it is the directors' policy to promote the understanding by all employees of the company's business aims and performance. This is achieved through internal publications, presentations on performance and a variety of other approaches appropriate for a particular location. Employees are consulted on issues through workshops, which are run regularly across the group.

The directors believe that it is important to recruit and retain capable and caring staff regardless of their sex, marital status, race or religion. It is the company's policy to give full and fair consideration to applications for employment from people who are disabled, to continue wherever possible the employment of and to arrange appropriate training for, employees who become disabled and to provide equal opportunities for the career development, training and promotion of disabled employees.

Independent auditors

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

Priory (Troup House) Limited

Directors' report for the year ended 31 December 2012 (continued)

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.

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; and
- 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
4 September 2013

38-40 Mansionhouse Road
Glasgow
Scotland
GA1 3DW

Priory (Troup House) Limited

Independent auditors' report to the members of Priory (Troup House) Limited

We have audited the financial statements of Priory (Troup House) Limited for the year ended 31 December 2012 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 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.

Priory (Troup House) Limited

Independent auditors' report to the members of Priory (Troup House) Limited (continued)

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
4 September 2013

Priory (Troup House) Limited

Profit and loss account for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Turnover	1	1,802	1,798
Cost of sales		(1,753)	(1,899)
Gross profit/(loss)		49	(101)
Administrative expenses (including operating exceptional costs of £2,000 (2011: £59,000))		(18)	(62)
Operating profit/(loss)		31	(163)
Interest payable and similar charges	5	(16)	(15)
Profit/(loss) on ordinary activities before taxation	2	15	(178)
Tax on profit/(loss) on ordinary activities	6	(3)	42
Profit/(loss) for the financial year	13	12	(136)

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 profit/(loss) above, therefore no statement of total recognised gains and losses is presented.

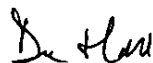
There is no difference between the profit/(loss) on ordinary activities before taxation and the profit/(loss) for the financial year stated above and their historical cost equivalents.

Priory (Troup House) Limited

Balance sheet as at 31 December 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	7	1,251	1,217
Current assets			
Debtors	8	14	40
Cash at bank and in hand		9	115
		23	155
Creditors: amounts falling due within one year	9	(167)	(777)
Net current liabilities		(144)	(622)
Total assets less current liabilities		1,107	595
Creditors: amounts falling due after more than one year	10	(908)	(397)
Provisions for liabilities	11	(13)	(24)
Net assets		186	174
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account	13	186	174
Total shareholders' funds	14	186	174

The financial statements on pages 6 to 18 were approved by the board of directors on 4 September 2013 and were signed on its behalf by:



David Hall
Director

Registered number: SC287396

Priory (Troup House) 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, Companies Act 2006 and under the historical cost accounting rules.

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.

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.

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.

Assets in course of construction represent the direct costs of purchasing, constructing and installing tangible fixed assets ahead of their productive use. No depreciation is provided on an asset that is in the course of construction until it is completed and transferred to an asset heading that is appropriate.

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
Motor vehicles	- over the shorter of the lease and 4 years
Fixtures and fittings	- 3 – 16 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.

Leases and hire purchase

Assets acquired under hire purchase contracts and finance leases are capitalised at cost and depreciated over the shorter of the term of the lease and the useful lives for tangible assets set out above. The capital element of future rentals is included under creditors. Interest is charged to the profit and loss account over the period of the lease in proportion to the balance of the capital payments outstanding. Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

Priory (Troup House) Limited

Statement of accounting policies (continued)

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 (Troup House) Limited

Notes to the financial statements for the year ended 31 December 2012

1 Turnover

The company's turnover, profit/(loss) on ordinary activities before taxation and net assets arise primarily from its principal activity of the provision of specialist education and care for children with learning and behavioural difficulties.

All turnover and profit/(loss) on ordinary activities before taxation arose within the United Kingdom and from one class of business.

2 Profit/(loss) on ordinary activities before taxation

Profit/(loss) on ordinary activities before taxation is stated after charging:

	2012 £'000	2011 £'000
Depreciation and other amounts written off tangible assets:		
Owned	71	33
Leased	34	17
Operating exceptional items:		
Re-organisation and rationalisation costs	2	59
Rentals under operating leases:		
Other operating leases	8	30

The re-organisation and rationalisation costs of £2,000 (2011: £59,000) incurred in the year primarily relate to employee redundancy payments made as the company re-organised and streamlined its operations.

The remuneration of the auditors of £500 (2011: £500) 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 (Troup House) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

4 Staff numbers and costs

The average monthly number of persons employed by the company during the year, analysed by category, was as follows:

	2012 Number	2011 Number
By activity:		
Teachers and social workers	45	50
Administrative staff	7	7
	52	57

The aggregate payroll costs of these persons were as follows:

	2012 £'000	2011 £'000
Wages and salaries	1,143	1,299
Social security costs	99	116
Other pension costs (note 16)	24	27
	1,266	1,442

5 Interest payable and similar charges

	2012 £'000	2011 £'000
On bank loans and overdrafts	-	1
On finance leases and hire purchase contracts	3	1
On loans from group undertakings	13	13
	16	15

Priory (Troup House) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

6 Tax on profit/(loss) on ordinary activities

	2012 £'000	2011 £'000
UK corporation tax:		
Current tax credit arising in the year	14	(33)
Adjustments in respect of prior periods	-	(1)
Total current tax charge/(credit)	14	(34)
Deferred tax:		
Origination and reversal of timing differences	(9)	(6)
Effect of tax rate change on opening balances	(2)	(2)
Total deferred tax credit	(11)	(8)
Total tax charge/(credit)	3	(42)

The current tax charge of £14,000 (2011: £34,000 credit) on profits for the year has been relieved by the surrender of losses by 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 24.49% (2011: 26.49%). The actual tax charge for the year is higher than (2011: credit is lower than) the standard rate for the reasons set out in the following reconciliation:

	2012 £'000	2011 £'000
Profit/(loss) on ordinary activities before taxation	15	(178)
Tax on profit on ordinary activities at standard rate	4	(47)
Factors affecting charge for the year:		
Depreciation in excess of capital allowances	10	6
Depreciation of non-qualifying assets	14	-
Expenses not deductible for tax purposes	-	8
Transfer pricing adjustments	(14)	-
Adjustments in respect of prior periods	-	(1)
Total current tax charge/(credit) for the year	14	(34)

Priory (Troup House) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

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

The standard rate of corporation tax in the UK changed from 26% to 24% with effect from 1 April 2012. A further reduction in this corporation tax rate effective on 1 April 2013 from 24% to 23% was substantively enacted for the purposes of FRS 16 on 3 July 2012. Accordingly, the company's profits for this accounting year are taxed at an effective rate of 24.49% and deferred taxation has been calculated based on a rate of 23%.

In the budget speech on 20 March 2013, further rates changes to 21% from April 2014 and 20% from April 2015 were announced. These rate reductions have not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The overall effect of the further change from 23% to 20%, if these applied to the deferred tax balance at the balance sheet date, would be immaterial.

7 Tangible assets

	Freehold property £'000	Assets under construction £'000	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
Cost					
At 1 January 2012	671	-	132	580	1,383
Additions	62	7	-	70	139
At 31 December 2012	733	7	132	650	1,522
Accumulated					
At 1 January 2012	8	-	47	111	166
Charge for the year	15	-	34	56	105
At 31 December 2012	23	-	81	167	271
Net book amount					
At 31 December 2012	710	7	51	483	1,251
At 31 December 2011	663	-	85	469	1,217

Priory (Troup House) Limited

Notes to the financial statements for the year ended 31 December 2012(continued)

7 Tangible assets (continued)

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

	2012	2011
	£'000	£'000
Motor vehicles	51	85

8 Debtors

	2012	2011
	£'000	£'000
Trade debtors	6	-
Other debtors	1	4
Prepayments and accrued income	7	1
Group relief recoverable	-	35
	14	40

9 Creditors: amounts falling due within one year

	2012	2011
	£'000	£'000
Amounts owed to group undertakings	-	581
Obligations under finance lease and hire purchase contracts (note 10)	15	18
Group relief payable	14	-
Taxation and social security	29	39
Other creditors	16	13
Accruals and deferred income	93	126
	167	777

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

Priory (Troup House) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

10 Creditors: amounts falling due after more than one year

	2012	2011
	£'000	£'000
Amounts owed to group undertakings	876	351
Obligations under finance leases and hire purchase contracts	32	46
	908	397

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

	2012	2011
	£'000	£'000
Within one year	15	18
In more than one year, but not more than five years	32	46
	47	64

Amounts owed to group undertakings are unsecured, bear interest at December 2012 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.

11 Provisions for liabilities

	£'000
Deferred tax:	
At 1 January 2012	24
Credit for the year	(11)
At 31 December 2012	13

Priory (Troup House) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

11 Provisions for liabilities (continued)

Deferred tax arises on the following timing differences:

	2012	2011
	£'000	£'000
Accelerated capital allowances	13	24

12 Called up share capital

	2012	2011
	£	£
Authorised		
1,000 (2011: 1,000) ordinary shares of £1 each	1,000	1,000
Allotted, called-up and fully paid		
100 (2011: 100) ordinary shares of £1 each	100	100

13 Profit and loss account

	£'000
At 1 January 2012	174
Profit for the financial year	12
At 31 December 2012	186

Priory (Troup House) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

14 Reconciliation of movements in shareholders' funds

	2012	2011
	£'000	£'000
Profit/(loss) for the financial year	12	(136)
Net addition/(reduction) in shareholders' funds	12	(136)
Opening shareholders' funds	174	310
Closing shareholders' funds	186	174

15 Commitments

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

	2012	2011
	£'000	£'000
Contracted	3	150

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings	2012 Other	Land and buildings	2011 Other
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within one year	-	-	32	-
In the second to fifth years inclusive	-	2	-	-
	-	2	32	-

16 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 £24,000 (2011: £27,000).

At 31 December 2012, there were outstanding contributions of £3,000 (2011: £3,000).

Priory (Troup House) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

17 Ultimate parent company and controlling party

The company's immediate parent company, which is incorporated in the United Kingdom, is Priory New Education Services 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 2012. Priory Group No. 3 PLC is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2012. The consolidated financial statements of Priory Group No. 1 Limited and Priory Group No. 3 PLC can be obtained from the Company Secretary at 80 Hammersmith Road, London, W14 8UD.