

# **Coxlease School Limited**

Directors' report and financial statements

Period from 1 September 2005 to  
31 December 2006

Registered number 2496463



## Contents

Directors' report	1
Statement of directors' responsibilities	3
Independent auditors' report to the members of Coxlease School Limited	4
Profit and loss account	5
Balance sheet	6
Statement of total recognised gains and losses	7
Note of historical cost profits and losses	7
Reconciliation of movements in shareholders' funds	7
Notes	8

## Directors' report

The directors present their report and the audited financial statements for the period from 1 September 2005 to 31 December 2006. The comparatives are for the year ended 31 August 2005.

### Principal activities

The company's principal activity is the provision of special boarding education for children with emotional and behavioural difficulties.

### Business review

The results for the period are set out in the profit and loss account on page 5.

### Dividends

Dividends of £nil were paid during the period (2005 £221,000).

### Directors and directors' interests

The directors who held office during the period were as follows:

J Colclough	(resigned 25 July 2006)
S Cliften	(resigned 25 July 2006)
PJ Greensmith	(appointed 25 July 2006, resigned 22 March 2007)
D Spruzen	(appointed 25 July 2006, resigned 24 April 2007)
S Bradshaw	(appointed 25 July 2006)

On 16 April 2007, Professor C Thompson was appointed as a director of the company.

On 2 May 2007, S Mukerji was appointed as a director of the company.

In accordance with the articles of association, no directors retire by rotation. None of the directors who held office at the end of the financial period had any disclosable interest in the shares of the company.

The interests of PJ Greensmith, D Spruzen and S Bradshaw in the shares of Priory Investments Holdings Limited are set out below:

	Interest at end of period				Interest at beginning of period or date of appointment if later			
	A Ordinary shares	B Ordinary shares	Non Voting B Ordinary shares	Preference shares	A Ordinary shares	B Ordinary shares	Non Voting B Ordinary shares	Preference shares
PJ Greensmith	-	200,000	300,000	1,553,153	-	200,000	300,000	1,500,000
S Bradshaw *	-	177,355	266,032	2,199,399	-	-	-	-
D Spruzen **	-	100,000	100,000	53,153	-	100,000	100,000	53,153

\* shares held indirectly

\*\* B Ordinary shares and Non Voting B Ordinary shares held indirectly

## **Directors' report** *(continued)*

### **Auditors**

In accordance with Section 386 of the Companies Act 1985 (as amended), the Company has elected to dispense with the obligation to appoint auditors annually. Accordingly, PricewaterhouseCoopers LLP will continue in office as auditors.

### **Provision of information to auditors**

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Each director has taken all the steps that he ought to have taken as director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board

  
**S Bradshaw**  
Director

Priory House  
Randalls Way  
Leatherhead  
Surrey  
KT22 7TP

29 October 2007

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## Independent auditors' report to the members of Coxlease School Limited

We have audited the financial statements of Coxlease School Limited for the period ended 31 December 2006 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the note of historical cost profits and losses, the reconciliation of movement in shareholders' funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
London

29 October 2007

## Profit and loss account

for the period from 1 September 2005 to 31 December 2006

	Note	Period from 1 September 2005 to 31 December 2006 £000	Year to 31 August 2005 £000
Turnover		9,960	6,663
Cost of sales		(8,749)	(6,101)
		<hr/>	<hr/>
Gross profit		1,211	562
Administrative expenses			
		<hr/>	<hr/>
Operating profit		1,211	562
Profit/(loss) on disposal of fixed assets		78	(3)
		<hr/>	<hr/>
Profit on ordinary activities before interest and tax		1,289	559
Other interest receivable and similar income	6	-	28
Interest payable and similar charges	7	(53)	(12)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	2	1,236	575
Tax on profit on ordinary activities	8	(415)	(180)
		<hr/>	<hr/>
Profit for the financial period		821	395
Dividends		-	(221)
		<hr/>	<hr/>
Amounts transferred to reserves		821	174
		<hr/>	<hr/>

The results for the both the current and prior period derive from continuing activities

**Balance sheet**  
**at 31 December 2006**

	Note	£000	2006 £000	£000	2005 £000
<b>Fixed assets</b>					
Tangible assets	9		16,180		1,040
<b>Current assets</b>					
Debtors	10	930		107	
Cash at bank and in hand		3,166		1,361	
		4,096		1,468	
<b>Creditors</b> amounts falling due within one year	11	(3,254)		(1,932)	
<b>Net current assets</b>			842		(464)
<b>Total assets less current assets</b>			17,022		576
<b>Creditors</b> amounts falling due after more than one year	12		(1,422)		(109)
<b>Provisions for liabilities and charges</b>	13		(4)		(12)
<b>Net assets</b>			15,596		455
<b>Capital and reserves</b>					
Called up share capital	14		50		50
Revaluation reserve	15		14,354		34
Profit and loss account	15		1,192		371
<b>Shareholders' funds – equity</b>			15,596		455

These financial statements were approved by the board of directors on 29 October 2007 and were signed on its behalf by



**S Bradshaw**  
Director



**Statement of total recognised gains and losses**  
*for the period from 1 September 2005 to 31 December 2006*

	Period from 1 Sep 2005 to 31 Dec 2006 £000	Year to 31 Aug 2005 £000
Profit for the financial period	821	395
Unrealised surplus on revaluation of properties	14,320	-
	<hr/>	<hr/>
Total recognised gains for the period	15,141	395
	<hr/>	<hr/>

**Note of historical cost profits and losses**  
*for the period from 1 September 2005 to 31 December 2006*

	Period from 1 Sep 2005 to 31 Dec 2006 £000	Year to 31 Aug 2005 £000
Reported profit on ordinary activities before taxation	1,236	575
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the re-valued amount	10	3
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	1,246	578
	<hr/>	<hr/>
Historical cost profit for the period retained after taxation and dividends	831	177
	<hr/>	<hr/>

**Reconciliation of movements in shareholders' funds**  
*for the period from 1 September 2005 to 31 December 2006*

	Period from 1 Sep 2005 to 31 Dec 2006 £000	Year to 31 Aug 2005 £000
Profit for the financial period	821	395
Dividends	-	(221)
	<hr/>	<hr/>
Revaluation surplus	821 14,320	174 -
	<hr/>	<hr/>
Net addition to/(reduction in) shareholders' funds	15,141	174
Opening shareholders' funds	455	281
	<hr/>	<hr/>
Closing shareholders' funds	15,596	455
	<hr/>	<hr/>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

#### ***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of certain land and buildings

The company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group

Under Financial Reporting Standard 1 (revised) 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 published consolidated financial statements

As the company is a wholly owned subsidiary of Priory Investments Holdings Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group

#### ***Tangible fixed assets and depreciation***

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

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 buildings and long leasehold properties -	50 periods
Short leasehold properties -	over the period of the lease
Plant, fixtures and fittings -	3 to 16 periods
Motor vehicles -	over the shorter of the lease and 4 periods

Land is not depreciated on the basis that land has an unlimited life. Where the valuation of land and buildings cannot be split, the Directors have estimated that the value attributable to land is 22% of the valuation of the land and buildings

#### ***Revaluation of properties***

The company has adopted a policy of revaluation of its properties, as permitted by Financial Reporting Standard 15 - Tangible Fixed Assets. The assets are valued by independent Chartered Surveyors each period at the balance sheet date, on a rolling basis designed to ensure that all Group properties are specifically valued at least every five periods. Any surplus or deficit on book value is transferred to the revaluation reserve, except that a deficit, which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account

#### ***Investments***

Fixed asset investments are stated at cost less provision for any impairment in value

## Notes (continued)

### 1 Accounting policies (continued)

#### Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

#### 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.

#### Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### Group relief

Payment is generally made for group relief at a rate of 30% 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 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.

### 2 Profit on ordinary activities before taxation

	2006 £000	2005 £000
<b>Profit on ordinary activities before taxation is stated</b>		
<i>after charging</i>		
Auditors' remuneration (inclusive of VAT)		
Audit	-	8
Depreciation and other amounts written off tangible fixed assets		
Owned	166	124
Leased	1	-
Loss on disposal of fixed assets	-	3
<i>after charging</i>		
Profit on disposal of fixed assets	78	-
	<hr/>	<hr/>

The remuneration of the auditors in the current period was borne by another group undertaking.

### 3 Remuneration of directors

The directors received no emoluments for services to the company during the period (2005 £nil)

## Notes (continued)

### 4 Staff numbers and costs

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

	Number of employees	
	Period from 1 Sep 2005 to 31 Dec 2006	Year to 31 Aug 2005
Teachers and social workers	204	189
Administrative staff	8	8
	<hr/>	<hr/>
	212	197
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows

	Period from 1 Sep 2005 to 31 Dec 2006 £000	Year to 31 Aug 2005 £000
Wages and salaries	6,423	4,457
Social security costs	586	424
Other pension costs	290	207
	<hr/>	<hr/>
	7,299	5,088
	<hr/>	<hr/>

### 5 Directors remuneration

	Period from 1 Sep 2005 to 31 Dec 2006 £000	Year to 31 Aug 2005 £000
Directors emoluments	-	434
	<hr/>	<hr/>

The total amount payable to the highest paid director in respect of emoluments was £x (2005 £300,259)

### 6 Other interest receivable and similar income

	Period from 1 Sep 2005 to 31 Dec 2006 £000	Year to 31 Aug 2005 £000
Interest receivable	-	28
	<hr/>	<hr/>

**7 Net interest payable and similar charges**

	Period from 1 Sep 2005 to 31 Dec 2006 £000	Year to 31 Aug 2005 £000
On bank loans and overdrafts	12	12
Inter-company interest receivable	41	-
	<u>53</u>	<u>12</u>

**8 Taxation**

	Period from 1 Sep 2005 to 31 Dec 2006 £000	Year to 31 Aug 2005 £000
<i>UK corporation tax</i>		
Current tax on income for the period	411	184
Adjustment relating to prior periods	-	(4)
	<u>411</u>	<u>180</u>
Deferred tax	4	-
	<u>415</u>	<u>180</u>

The standard rate of tax for the period, based on the UK standard rate of corporation tax is 30% (2005 30%) The actual tax charge for the period is above the standard rate for the reasons set out in the following reconciliation

	2006 £000	2005 £000
Profit on ordinary activities before tax	1,236	575
Tax on profit on ordinary activities at standard rate (2005 29.44%)	371	169
<i>Factors affecting charge for the period</i>		
Capital allowances for period in excess of depreciation	16	13
Other timing differences	-	2
Depreciation on non-qualifying assets	5	-
Capital loss surrendered to group company for payment	20	-
Profit/loss on non-qualifying assets	(22)	-
Expenses not deductible for tax purposes	25	-
Adjustment to tax charge in respect of prior periods	-	(4)
Total actual amount of current tax	<u>415</u>	<u>180</u>

## Notes (continued)

### 9 Tangible assets

	Freehold land and buildings £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
<b>Cost</b>				
At beginning of the period	1,065	459	228	1,752
Additions	1,380	29	42	1,451
Disposals	(405)	-	(101)	(506)
Surplus on revaluation	13,959	-	-	13,959
At end of the period	15,999	488	169	16,656
<b>Depreciation</b>				
At beginning of the period	333	279	100	712
Charge for the period	60	72	35	167
On disposals	(12)	-	(30)	(42)
Transfer on revaluation	(361)			(361)
At end of the period	20	351	105	476
<b>Net book value</b>				
At 31 December 2006	15,979	137	64	16,180
At 31 December 2005	732	180	128	1,040

Included in the total net book value of motor vehicles is £16,000 (2005 £nil) in respect of assets held under finance leases. Depreciation for the period on these assets was £1,000 (2005 £nil).

Analysis of land and buildings at cost or valuation	2006 £000	2005 £000
At cost	-	364
At valuation	15,979	368
At valuation	15,979	732

The Company's land and buildings were re-valued as at 25 July 2006, on the basis of existing use value by independent qualified valuers. The valuations were undertaken in accordance with the Practice Statements set out in the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards – 5<sup>th</sup> Edition, as amended, by Colliers CRE, a firm of independent Chartered Surveyors. The revaluation during the period ended 31 December 2005 resulted in a revaluation surplus of £14,320,000 (note 15).

## Notes (continued)

### 9 Tangible fixed assets (continued)

The historical net book value of land and buildings is given below

	2006 £000	2005 £000
Historical cost of land and buildings	2,005	1,030
Aggregate depreciation thereon	(359)	(321)
Historical cost net book value	<u>1,646</u>	<u>709</u>

No deferred tax is provided on timing differences arising from the revaluation of fixed assets unless, by the balance sheet date, a binding commitment to sell the asset has been entered into and it is unlikely that any gain will be rolled over

### 10 Debtors

	2006 £000	2005 £000
<i>Amounts falling due within one period</i>		
Trade debtors	683	53
Amounts owed by group undertakings	210	-
Other debtors	-	1
Prepayments and accrued income	37	53
	<u>930</u>	<u>107</u>

### 11 Creditors: amounts falling due within one period

	2006 £000	2005 £000
Obligations under finance lease contracts (see note 12)	4	-
Bank loans and overdrafts	-	34
Trade creditors	22	27
Amounts owed to group undertakings	8	-
Corporation tax payable	211	-
Group relief payable	212	-
Other taxes and social security	133	312
Other creditors	-	190
Accruals and deferred income	2,664	1,369
	<u>3,254</u>	<u>1,932</u>

## Notes (continued)

### 12 Creditors: amounts falling due after more than one period

	2006 £000	2005 £000
Obligations under finance lease contracts	12	-
Bank loans	-	109
Amounts owed to group undertakings	1,410	-
	<u>1,422</u>	<u>109</u>

Obligations under finance leases are payable as follows

	2006 £000	2005 £000
Within one year or less	4	-
Within one to two years	4	-
Within two to five years	8	-
	<u>16</u>	<u>-</u>

### 13 Provisions for liabilities and charges

	£000
<i>Deferred tax</i>	
At beginning of the period	-
Charge for the period	4
	<u>4</u>
At end of year	<u>4</u>

Deferred tax has been provided in full as follows

	2006 £000	2005 £000
Difference between accumulated depreciation and capital allowances	4	12

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. At 31 December 2006, the total amount un-provided for was £4.3 million (31 August 2005 £10,000). At present it is not envisaged that any such tax will become payable in the foreseeable future.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the period in which timing differences reverse, based on tax rates and laws substantively enacted at the balance sheet date.



## Notes (continued)

### 14 Called up share capital

	2006 £000	2005 £000
<b>Authorised</b>		
50,000 (2005 50,000) Ordinary shares of £1 each	50	50
	<hr/>	<hr/>
<b>Allotted, called up and fully paid</b>		
50,000 (2005 50,000) Ordinary shares of £1 each	50	50
	<hr/>	<hr/>

### 15 Reserves

	Revaluation reserve £000	Profit and loss account £000
At beginning of the period	34	371
Retained profit for the period	-	821
Revaluation surplus	14,320	-
	<hr/>	<hr/>
<b>At end of the period</b>	<b>14,354</b>	<b>1,192</b>
	<hr/>	<hr/>

### 16 Pension scheme

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 £290,000 (2005 £207,000).

As at 31 December 2006, there were outstanding contributions of £12,000 (31 August 2005 £nil).

The company participated in the Teachers' Pension Scheme ("the scheme") which is a government funded final salary scheme. The pension charge for the period was £113,000 (2005 £85,000). The company is unable to identify its share of the underlying assets and liabilities of the scheme in which it participates on a consistent and reliable basis. It has therefore taken advantage of the exemption under Financial Reporting Standard 17 paragraph 9 to treat the scheme as a defined contribution scheme.

### 17 Ultimate parent company

The company is a subsidiary undertaking of Priory Old Schools Services Limited, which is incorporated in England.

The largest group in which the results of the company are consolidated is that headed by Priory Investments Holdings Limited. No other group accounts include the results of the company.