

# **Coxlease School Limited**

Directors' report and financial statements

Year ended 31 December 2007

Registered number 2496463



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## Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2007  
The comparatives are for the period from 1 September 2005 to 31 December 2006

### Principal activities

The company's principal activity during the year was the provision of special boarding education for children with emotional and behavioural difficulties

### Business review

The results for the year are set out in the Profit and loss account on page 5 and the position of the company as at the year end is set out in the Balance sheet on page 6

On 4 June 2007, the company sold its trade and assets to Priory Education Services Limited (a fellow subsidiary undertaking) for a consideration of £4 million. This disposal was effected as part of a general re-organisation of the Group's structure.

On 4 June 2007, the company sold its freehold land and buildings to Priory Condoval (Property) Limited (a fellow group undertaking) for a consideration of £1.5m giving rise to a loss on disposal of £139,000.

The company ceased to trade with effect from that date.

Further information regarding the operations and key performance indicators of the group are set out in the directors' report of Priory Investments Holdings Limited.

### Dividends

The directors do not recommend the payment of a dividend (2006: £nil).

### Directors

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

PJ Greensmith	(resigned 22 March 2007)
D Spruzen	(resigned 24 April 2007)
S Bradshaw	(appointed 25 July 2006)
Professor C Thompson	(appointed 16 April 2007)
S Mukerji	(appointed 2 May 2007)

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

### 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.

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

### **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 Mukerji**  
Company Secretary

Priory House  
Randalls Way  
Leatherhead  
Surrey  
KT22 7TP

1 July 2008

## 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 year ended 31 December 2007 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 2007 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  
Reading

1 July 2008

## Profit and loss account

*for the year ended 31 December 2007 (prior period from 1 September 2005 to 31 December 2006)*

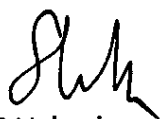
	Note	Year ended 31 December 2007 £000	Period from 1 September 2005 to 31 December 2006 £000
<b>Turnover</b>		<b>3,307</b>	<b>9,960</b>
Cost of sales		(2,276)	(7,288)
<b>Gross profit</b>		<b>1,031</b>	<b>2,672</b>
Administrative expenses		(380)	(1,461)
<b>Operating profit</b>		<b>651</b>	<b>1,211</b>
Profit on disposal of discontinued operations	2	4,634	-
(Loss)/profit on disposal of fixed assets	2	(139)	78
<b>Profit on ordinary activities before interest and tax</b>		<b>5,146</b>	<b>1,289</b>
Interest receivable and similar income	5	440	-
Interest payable and similar charges	6	(111)	(53)
<b>Profit on ordinary activities before taxation</b>	2	<b>5,475</b>	<b>1,236</b>
Tax on profit on ordinary activities	7	(298)	(415)
<b>Profit for the financial period</b>	14	<b>5,177</b>	<b>821</b>

The results for the current year and prior period derive from discontinued activities

**Balance sheet**  
**at 31 December 2007**

	Note	2007	2006
		£000	re-stated £000
<b>Fixed assets</b>			
Tangible assets	8	-	1,860
<b>Current assets</b>			
Debtors	9	8,786	930
Cash at bank and in hand		-	3,166
		<u>8,786</u>	<u>4,096</u>
<b>Creditors' amounts falling due within one year</b>	10	(923)	(3,254)
		<u></u>	<u></u>
<b>Net current assets</b>			
Due within one year		(206)	842
Debtors due after more than one year	9	8,069	-
		<u></u>	<u></u>
		7,863	842
<b>Total assets less current liabilities</b>		<u>7,863</u>	<u>2,702</u>
<b>Creditors' amounts falling due after more than one year</b>	11	(1,410)	(1,422)
<b>Provisions for liabilities and charges</b>	12	-	(4)
		<u></u>	<u></u>
<b>Net assets</b>		<u>6,453</u>	<u>1,276</u>
<b>Capital and reserves</b>			
Called up share capital	13	50	50
Revaluation reserve	14	-	34
Profit and loss account	14	6,403	1,192
		<u></u>	<u></u>
<b>Shareholders' funds – equity</b>	15	<u>6,453</u>	<u>1,276</u>

These financial statements were approved by the board of directors on 1 July 2008 and were signed on its behalf by



**S Mukerji**  
Director



**Balance sheet**  
**at 31 December 2007**

	Note	2007	2006
		£000	re-stated £000
<b>Fixed assets</b>			
Tangible assets	8	-	1,860
<b>Current assets</b>			
Debtors	9	8,786	930
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**S Mukerji**  
Director

## Statement of total recognised gains and losses

*for the year ended 31 December 2007 (prior period from 1 September 2005 to 31 December 2006)*

	Year ended 31 Dec 2007	Period from 1 Sep 2005 to 31 Dec 2006
Profit for the financial period	5,177	821
Total recognised gains and losses for the financial period	5,177	821
Prior year adjustment (note 14)	(14,320)	
Total recognised gains and losses since last annual report	(9,143)	

## Note of historical cost profits and losses

*for the year ended 31 December 2007 (prior period from 1 September 2005 to 31 December 2006)*

	Year ended 31 Dec 2007 £000	Period from 1 Sep 2005 to 31 Dec 2006 £000
Reported profit on ordinary activities before taxation	5,475	1,236
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the re-valued amount	7	-
Historical cost profit/(loss) on ordinary activities before taxation	5,482	1,236
Historical cost loss for the year retained after taxation and dividends	5,184	821

## Reconciliation of movements in shareholders' funds

*for the year ended 31 December 2007 (prior period from 1 September 2005 to 31 December 2006)*

	Year ended 31 Dec 2007 £000	Period from 1 Sep 2005 to 31 Dec 2006 £000
Profit for the financial period	5,177	821
Net addition to shareholders' funds	5,177	821
Opening shareholders' funds	1,276	455
Closing shareholders' funds	6,453	1,276

## Notes

*(forming part of the financial statements)*

### 1 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 ultimate parent company, Priory Investments Holdings 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 (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

#### ***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

## Notes (continued)

### 1 Accounting policies (continued)

#### Leases

Assets acquired under 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.

#### 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 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 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

	Year ended 31 Dec 2007 £000	Period from 1 Sep 2005 to 31 Dec 2006 £000
<b>Profit on ordinary activities before taxation is stated</b>		
<i>after charging</i>		
Auditors' remuneration (inclusive of VAT)		
Audit	-	-
Depreciation and other amounts written off tangible fixed assets		
Owned	43	166
Leased	6	1
Loss on disposal of fixed assets	139	-
<i>after charging</i>		
Profit on disposal of discontinued operations	4,634	-
Profit on disposal of fixed assets	-	78
	<hr/>	<hr/>

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

## Notes (continued)

### 2 Profit on ordinary activities before taxation (continued)

During the year, the company sold its trade, assets and liabilities to a fellow group company. An analysis of the assets and liabilities disposed of and the consideration received is given below

	£000
Fixed assets (excluding freehold land and buildings)	215
Net current liabilities	(839)
Long term liabilities	(10)
	<hr/>
Consideration	(634) (4,000)
	<hr/>
Profit on disposal of discontinued operations	(4,634)
	<hr/> <hr/>

During the year, the company sold its freehold land and buildings to a fellow group company giving rise to a loss on disposal

	£000
Freehold land and buildings	1,639
Consideration	(1,500)
	<hr/>
Loss on disposal of fixed assets	139
	<hr/> <hr/>

### 3 Remuneration of directors

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.

## Notes (continued)

### 4 Staff numbers and costs

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

	Number of employees	
	Year ended 31 Dec 2007	Period from 1 Sep 2005 to 31 Dec 2006
Teachers and social workers	70	204
Administrative staff	15	8
	<hr/>	<hr/>
	85	212
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows

	Year ended 31 Dec 2007 £000	Period from 1 Sep 2005 to 31 Dec 2006 £000
Wages and salaries	721	6,423
Social security costs	67	586
Other pension costs	87	290
	<hr/>	<hr/>
	875	7,299
	<hr/>	<hr/>

### 5 Interest receivable and similar income

	Year ended 31 Dec 2007 £000	Period from 1 Sep 2005 to 31 Dec 2006 £000
On bank deposits	50	-
Inter-company interest receivable	390	-
	<hr/>	<hr/>
	440	-
	<hr/>	<hr/>

## Notes (continued)

### 6 Interest payable and similar charges

	Year ended 31 Dec 2007 £000	Period from 1 Sep 2005 to 31 Dec 2006 £000
On bank loans and overdrafts	-	12
Inter-company interest payable	110	41
Finance charges payable in respect of finance leases	1	-
	<u>111</u>	<u>53</u>

### 7 Taxation

	Year ended 31 Dec 2007 £000	Period from 1 Sep 2005 to 31 Dec 2006 £000
<i>UK corporation tax</i>		
Current tax on income for the year	298	411
	<u>298</u>	<u>411</u>
Deferred tax	-	4
	<u>298</u>	<u>415</u>

The tax charge of £298,000 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

## Notes (continued)

### 7 Taxation (continued)

The standard rate of tax for the period, based on the UK standard rate of corporation tax is 30% (2006 30%)  
The actual tax charge for the period is lower than (2006 higher than) the standard rate for the reasons set out in the following reconciliation

	Year ended 31 Dec 2007 £000	Period from 1 Sep 2005 to 31 Dec 2006 £000
Profit on ordinary activities before tax	5,475	1,236
	<hr/>	<hr/>
Tax on profit on ordinary activities at standard rate	1,643	371
<i>Factors affecting charge for the year</i>		
Capital allowances for period in excess of depreciation	(1)	16
Other timing differences	(2)	-
Depreciation on non-qualifying assets	6	5
Capital loss surrendered to group company for payment	-	20
Profit on non-qualifying assets	(1,349)	(22)
Expenses not deductible for tax purposes	1	25
	<hr/>	<hr/>
Total actual amount of current tax	298	415
	<hr/>	<hr/>



## Notes (continued)

### 8 Tangible assets

	Freehold land and buildings £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
<b>Cost</b>				
At beginning of the year as previously stated	15,999	488	169	16,656
Reverse surplus on revaluation	(13,959)	-	-	(13,959)
At beginning of the year as re-stated	2,040	488	169	2,697
Additions	-	42	-	42
Disposals	(2,040)	(530)	(169)	(2,739)
At end of the year	-	-	-	-
<b>Depreciation</b>				
At beginning of the year as previously stated	20	351	105	476
Reverse transfer on revaluation	361	-	-	361
At beginning of the year as re-stated	381	351	105	837
Charge for the period	20	20	9	49
On disposals	(401)	(371)	(114)	(886)
At end of the period	-	-	-	-
<b>Net book value</b>				
At 31 December 2007	-	-	-	-
At 31 December 2006 as previously stated	15,979	137	64	16,180
Reverse revaluation uplift	(14,320)	-	-	(14,320)
At 31 December 2006 as re-stated	1,659	137	64	1,860

Included in the total net book value of motor vehicles is £nil (2006 £16,000) in respect of assets held under finance leases. Depreciation for the year on these assets was £6,000 (2006 £1,000)

Analysis of land and buildings at cost or valuation	2007 £000	2006 £000
At cost	-	1,379
At valuation	-	280
	-	1,659

See note 14 for further details in respect of the prior period adjustment

## Notes (continued)

### 9 Debtors

	2007 £000	2006 £000
<i>Amounts falling due within one year</i>		
Trade debtors	-	683
Amounts owed by group undertakings	717	210
Prepayments and accrued income	-	37
	<hr/> 717	<hr/> 930
<i>Amounts falling due after more than one year</i>		
Amounts owed by group undertakings	8,069	-
	<hr/> 8,786	<hr/> 930

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

Amounts due from group undertakings due after more than one year 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 received within the current year and accordingly these amounts have been shown as amounts due after more than one year.

### 10 Creditors: amounts falling due within one year

	2007 £000	2006 £000
Obligations under finance lease contracts (see note 11)	-	4
Trade creditors	-	22
Amounts owed to group undertakings	414	8
Corporation tax payable	211	211
Group relief payable	298	212
Other taxes and social security	-	133
Accruals and deferred income	-	2,664
	<hr/> 923	<hr/> 3,254

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

## Notes (continued)

### 11 Creditors: amounts falling due after more than one year

	2007 £000	2006 £000
Obligations under finance lease contracts	-	12
Amounts owed to group undertakings	1,410	1,410
	<u>1,410</u>	<u>1,422</u>

Obligations under finance leases are payable as follows

	2007 £000	2006 £000
Within one year or less	-	4
Within one to two years	-	4
Within two to five years	-	8
	<u>-</u>	<u>16</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 Provisions for liabilities and charges

	£000
<i>Deferred tax</i>	
At beginning of the year	4
Transfer on sale of trade and assets	(4)
	<u>-</u>
At end of year	<u>-</u>

Deferred tax has been provided in full as follows

	2007 £000	2006 £000
Difference between accumulated depreciation and capital allowances	-	4
	<u>-</u>	<u>4</u>

## Notes (continued)

### 13 Called up share capital

	2007 £000	2006 £000
<b>Authorised</b>		
50,000 (2006 50,000) Ordinary shares of £1 each	50	50
	<hr/>	<hr/>
<b>Allotted, called up and fully paid</b>		
50,000 (2006 50,000) Ordinary shares of £1 each	50	50
	<hr/>	<hr/>

### 14 Reserves

	Revaluation Reserve £000	Profit and loss account £000
At beginning of the year as previously stated	14,354	1,192
Reverse revaluation surplus	(14,320)	-
	<hr/>	<hr/>
At beginning of the year as re-stated	34	1,192
Retained profit for the year	-	5,177
Revaluation surplus	(34)	34
	<hr/>	<hr/>
<b>At end of the year</b>	<b>-</b>	<b>6,403</b>
	<hr/>	<hr/>

The comparative amounts have been restated to reverse the revaluation of properties that was recorded in the prior period in error

### 15 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 £53,000 (2006 £290,000).

As at 31 December 2007, there were outstanding contributions of £nil (31 December 2006 £12,000).

The company participated in the Teachers' Pension Scheme ("the scheme") which is a government funded final salary scheme. The pension charge for the year was £34,000 (2006 £113,000). 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.

## **Notes** *(continued)*

### **16 Ultimate parent company**

The company's immediate parent company, which is incorporated in England, is Coxlease Holdings Limited

The ultimate parent company and the largest group of which the company is a member and for which group accounts are prepared is that headed by Priory Investments Holdings Limited. A copy of the consolidated accounts can be obtained from the Company Secretary at Priory House, Randalls Way, Leatherhead, Surrey KT22 7TP