

Mark College Limited

Directors' report and financial statements

Year ended 31 December 2007

Registered number 5258066

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Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2007

Principal activities

The principal activity of the company during the year was the provision of specialist education for pupils with dyslexia

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 £1. This disposal was effected as part of a general re-organisation of the Group's structure.

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)
Dr CB Patel	(resigned 9 March 2007)
D Spruzen	(resigned 24 April 2007)
S Bradshaw	(appointed 16 April 2007)
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 year 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 Mark College Limited

We have audited the financial statements of Mark College Limited for the year ended 31 December 2007 which comprise the Profit and loss account, the Balance sheet 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

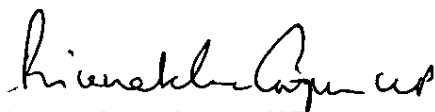
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 loss for the year 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

	Note	2007 £000	2006 £000
Turnover		678	1,471
Cost of sales		(548)	(1,293)
Gross profit		130	178
Administrative expenses		(129)	(221)
Operating profit/(loss)		1	(43)
Loss on disposal of discontinued operations	2	(64)	-
Loss on ordinary activities before interest and tax		(63)	(43)
Interest receivable and similar income	5	84	58
Interest payable and similar charges	6	-	(2)
Profit on ordinary activities before taxation	2	21	13
Tax on profit on ordinary activities	7	(27)	6
(Loss)/profit for the financial year	13	(6)	19

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

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

There is no difference between the profit before taxation and the loss for the year stated above and their historical cost equivalents

Balance sheet
at 31 December 2007

	Note	£000	2007 £000	£000	2006 £000
Fixed assets					
Tangible assets	8		-		394
Current assets					
Debtors	9	1,674		1,680	
Cash at bank and in hand		-		103	
		<u>1,674</u>		<u>1,783</u>	
Creditors amounts falling due within one year	10	(1,285)		(1,770)	
		<u></u>		<u></u>	
Net current assets					
Due within one year		(815)		(830)	
Debtors due after more than one year	9	1,204		843	
		<u></u>		<u></u>	
			389		13
Total assets less current liabilities			<u>389</u>		<u>407</u>
Creditors amounts falling due after more than one year	11		-		(12)
			<u></u>		<u></u>
Net assets			<u>389</u>		<u>395</u>
Capital and reserves					
Called up share capital	12		-		-
Profit and loss account	13		389		395
			<u></u>		<u></u>
Shareholders' funds – equity	14		<u>389</u>		<u>395</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

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

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

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.

Notes (continued)

1 Accounting policies (continued)

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.

Taxation

The charge for taxation is based on the profit for the year 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.

Turnover and revenue recognition

Turnover represents the amounts (excluding value added tax) derived from the provision of services. Revenue is recognised as the services are provided.

2 Profit on ordinary activities before taxation

	2007 £000	2006 £000
Profit on ordinary activities before taxation is stated after charging		
Auditors' remuneration (inclusive of VAT)		
Audit	-	-
Depreciation and other amounts written off tangible fixed assets		
Owned	23	35
Leased	3	7
Rentals under operating leases		
Hire of plant and machinery	4	9
Other operating leases	93	224
Loss on disposal of discontinued operations	64	-
	<hr/>	<hr/>

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

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	451
Net current liabilities	(377)
Long term liabilities	(10)
	<hr/>
	64
Consideration (£1)	-
	<hr/>
Loss on disposal of discontinued operations	64
	<hr/>

Notes (continued)

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.

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	
	2007	2006
Teachers and social workers	16	35
Administrative staff	5	13
	<u>21</u>	<u>48</u>

The aggregate payroll costs of these persons were as follows:

	2007 £000	2006 £000
Wages and salaries	303	715
Social security costs	23	57
Other pension costs	29	59
	<u>355</u>	<u>831</u>

5 Interest receivable and similar income

	2007 £000	2006 £000
Inter-company interest receivable	<u>84</u>	<u>58</u>

6 Interest payable and similar charges

	2007 £000	2006 £000
Finance charges payable in respect of finance leases	<u>-</u>	<u>2</u>

Notes (continued)

7 Taxation

	2007 £000	2006 £000
<i>UK corporation tax</i>		
Current tax on income for the financial year	27	14
Adjustment relating to prior years	-	(16)
	<u>27</u>	<u>(2)</u>
Deferred tax credit	-	(4)
	<u>27</u>	<u>(6)</u>

The tax charge of £27,000 (2006 £14,000) 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

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

	2007 £000	2006 £000
Profit on ordinary activities before tax	21	13
	<u>6</u>	<u>4</u>
Tax on profit on ordinary activities at standard rate		
<i>Factors affecting charge for the period</i>		
Capital allowances for period in excess of depreciation	(3)	7
Other timing differences	-	(3)
Depreciation of non-qualifying assets	4	5
Loss on non-qualifying assets	19	-
Expenses not deductible for tax purposes	1	1
Adjustment to tax charges in respect of prior years	-	(16)
	<u>27</u>	<u>(2)</u>
Total actual amount of current tax		

Notes (continued)

8 Tangible assets

	Freehold land and buildings £000	Assets in course of construction £000	Fixtures and fittings £000	Motor Vehicles £000	Total £000
Cost					
At beginning of the year	6	16	381	34	437
Additions	-	2	83	-	85
Disposals	(6)	(18)	(464)	(34)	(522)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of the year	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At beginning of the year	-	-	37	6	43
Charge for the year	-	-	22	4	26
On disposals	-	-	(59)	(10)	(69)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of the year	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 December 2007	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	6	16	344	28	394
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Included in the total net book value of motor vehicles is £nil (2006 £23,000) in respect of assets held under finance leases. Depreciation for the year on these assets was £3,000 (2006 £7,000)

Notes (continued)

9 Debtors

	2007 £000	2006 £000
<i>Amounts falling due within one year</i>		
Trade debtors	-	307
Amounts due to group undertakings	470	515
Other debtors	-	3
Deferred tax asset	-	4
Prepayments and accrued income	-	8
	<hr/>	<hr/>
	470	837
<i>Amounts falling due after more than one year</i>		
Amounts due to group undertakings	1,204	843
	<hr/>	<hr/>
	1,674	1,680
	<hr/>	<hr/>

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
Obligation under finance lease contracts	-	6
Trade creditors	-	16
Amounts owed to group undertakings	1,258	1,193
Group relief payable	27	14
Other taxes and social security	-	17
Other creditors	-	8
Accruals and deferred income	-	516
	<hr/>	<hr/>
	1,285	1,770
	<hr/>	<hr/>

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
Obligation under finance lease contracts	-	12
	<u> </u>	<u> </u>

Obligations under finance leases are payable as follows

	2007 £000	2006 £000
Within one year or less	-	6
Within one to two years	-	6
Within two to five years	-	6
	<u> </u>	<u> </u>
	-	18
	<u> </u>	<u> </u>

12 Called up share capital

	2007 £	2006 £
Authorised		
1,000 Ordinary shares of £1 each	1,000	1,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
1 Ordinary shares of £1 each	1	1
	<u> </u>	<u> </u>

13 Reserves

	Profit and loss account £000
At beginning of the year	395
Retained loss for the year	(6)
	<u> </u>
At end of the year	389
	<u> </u>

Notes (continued)

14 Reconciliation of movement in shareholders' funds

	2007 £000	2006 £000
(Loss)/profit for the financial year	(6)	19
Net (reduction in)/addition to shareholders' funds	(6)	19
Opening shareholders' funds	395	376
Closing shareholders' funds	389	395

15 Commitments

Annual commitments under non-cancellable operating leases are as follows

	Land and buildings £000	2007 Other £000	Land and Buildings £000	2006 Other £000
Operating leases which expire				
Within one year	-	-	-	7
In the second to fifth years inclusive	-	-	-	2
Over five years	-	-	222	-
	<u>-</u>	<u>-</u>	<u>222</u>	<u>9</u>

16 Contingent liabilities

The company has entered into banking facilities set-off agreements in respect of which guarantees have been given. The aggregate amount outstanding under the agreements was £nil at 31 December 2007 (2006 £nil).

Bank loans of a fellow group undertaking are secured by fixed and floating charges over all the assets of the company.

Notes (continued)

17 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 £4,000 (2006 9,000)

As at 31 December 2007, there were outstanding contributions of £nil (31 December 2006 £1,000)

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 £25,000 (31 December 2006 £50,000). 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.

18 Ultimate parent company

The company's immediate parent company, which is incorporated in England, is Priory Old Schools Services 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.