

Financial Statements Cruckton Hall Limited

For the year ended 31 December 2011



Registered number: 06952821

Company Information

Company number 06952821

Registered office The Old Vicarage
61 High Street
Swinderby
Lincolnshire
LN6 9LU

Directors M Hill
R S Perper
J A Khan
V Kumar
A J Murrell

Company secretary A J Murrell

Bankers National Westminster Bank Plc
PO Box 12258
1 Princes Street
London
EC2R 9HA

Solicitors Berwin Leighton Paisner LLP
Adelaide House
London Bridge
London
EC4R 9HA

Auditor Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
Regent House
80 Regent Road
Leicester
LE1 7NH

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Directors' report

For the year ended 31 December 2011

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

Principal activities

The principal activity of the company during the year was the provision of education and care to boys with a range of difficulties including Deficit Hyperactivity Disorder, Attention Deficit Disorder or Asperger's Syndrome, with associated challenging behaviour

Business review

During 2011 there was on-going investment in the existing residential and education provision to ensure that the overall standard of provision was maintained or enhanced

The key performance indicators used to monitor the company performance in the year are as follows

	2009	2010	2011
	%	%	%
Staff costs turnover	71	51	51
Operating profit turnover	(31)	4	3

The directors consider that the trading in the period to 31 December 2009 was affected by the initial period following incorporation

Results

The profit for the year, after taxation, amounted to £260,473 (2010 - £268,023)

Directors

The directors who served during the year were

M Hill
R S Perper (appointed 24 June 2011)
J A Khan (appointed 24 June 2011)
V Kumar (appointed 24 June 2011)
A J Murrell
R Storey (resigned 24 June 2011)
M Salter (resigned 24 June 2011)

Directors' report

For the year ended 31 December 2011

Principal risks and uncertainties

The management of the business and the nature of the group's strategy are subject to a number of risks. The directors have set out below the principal risks facing the business. The directors are of the opinion that a thorough risk management process is adopted which involves the formal review of all the risks identified below. Where possible, processes are in place to monitor and mitigate such risks.

The group is engaged in regulated activities which are subject to regular inspection and quality monitoring. The group prioritises the provision of maintaining the standards of care and education within the business via a formal process of detailed review of activities across all aspects of the group. This process then determines the focus of the group in maintaining, and where possible enhancing, overall standards.

The market in which the group operates is competitive and subject to funding primarily by Local Authorities. The group mitigates any risks from these characteristics by prioritising the needs of its pupils and adults that are under its care and education and by seeking close relationships with its referring authorities to ensure that they are aware of the activities and development of the group. In addition the group has a general desire to work with Local Authorities on a partnership basis.

During the year, the company used loan notes and working capital balances that arise directly from its operations. The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. Liquidity is monitored regularly by reference to forecasts and available facilities.

The company principally finances its operations through inter company loans. The company's exposure to interest rate fluctuations on its borrowings is managed by the use of group borrowings.

The company has committed funding arrangements from both its bank and the group together with good relationships with its customers and suppliers. The company's negative net assets are predominantly due to the amortisation of non cash items such as goodwill and initial trading losses following the period of incorporation. As a result, the directors do not believe that there are any material uncertainties which cast significant doubt on the ability of the company to continue as a going concern for the foreseeable future. Accordingly they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors' report

For the year ended 31 December 2011

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 elected to prepare 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 judgments and estimates that are reasonable and prudent,
- 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 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.

Provision of information to auditor

Each of the persons who is a director 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 auditor is 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 auditor in connection with preparing its report and to establish that the company's auditor is aware of that information

Auditor

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on **17 APRIL 2012** and signed on its behalf



M Hill
Director

Independent auditor's report to the members of Cruckton Hall Limited

We have audited the financial statements of Cruckton Hall Limited for the year ended 31 December 2011, which comprise the Profit and loss account, the Balance sheet 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).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of directors' responsibilities, 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its 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.

Independent auditor's report to the members of Cruckton Hall Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Grant Thornton UK LLP

Paul Houghton (Senior statutory auditor)
for and on behalf of

Grant Thornton UK LLP

Chartered Accountants

Statutory Auditor

East Midlands

23 April 2012

Profit and loss account

For the year ended 31 December 2011

	Note	2011 £	2010 £
Turnover	1,2	8,542,640	8,659,311
Cost of sales		<u>(4,749,843)</u>	<u>(4,843,968)</u>
Gross profit		3,792,797	3,815,343
Administrative expenses		<u>(3,528,404)</u>	<u>(3,445,671)</u>
Operating profit	3	264,393	369,672
Interest payable and similar charges	5	<u>(11,066)</u>	<u>(54,849)</u>
Profit on ordinary activities before taxation		253,327	314,823
Tax on profit on ordinary activities	6	<u>7,146</u>	<u>(46,800)</u>
Profit for the financial year	14	<u>260,473</u>	<u>268,023</u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 or 2010 other than those included in the Profit and loss account

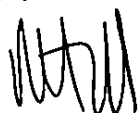
The notes on pages 8 to 15 form part of these financial statements

Balance sheet

As at 31 December 2011

	Note	£	2011 £	£	2010 £
Fixed assets					
Intangible assets	7		305,849		662,667
Tangible assets	8		585,655		84,693
			<u>891,504</u>		<u>747,360</u>
Current assets					
Debtors	9	2,919,131		2,112,432	
Cash at bank and in hand		913,188		1,319,253	
		<u>3,832,319</u>		<u>3,431,685</u>	
Creditors: amounts falling due within one year	10	(5,153,171)		(4,273,147)	
Net current liabilities			<u>(1,320,852)</u>		<u>(841,462)</u>
Total assets less current liabilities			<u>(429,348)</u>		<u>(94,102)</u>
Creditors: amounts falling due after more than one year	11		-		(595,719)
Net liabilities			<u>(429,348)</u>		<u>(689,821)</u>
Capital and reserves					
Called up share capital	13		1		1
Profit and loss account	14		(429,349)		(689,822)
Shareholders' deficit	15		<u>(429,348)</u>		<u>(689,821)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
17 APRIL 2012.



M Hill
Director

The notes on pages 8 to 15 form part of these financial statements

Notes to the financial statements

For the year ended 31 December 2011

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and under the historical cost convention

The directors consider the company to be a going concern due to group support being available from its immediate parent company, Kisimul School Holdings Limited

The company has committed funding arrangements together with good relationships with its customers and suppliers. It has negative net assets, predominantly due to the amortisation of non cash items and initial trading losses following the period of incorporation. The directors do not believe that there are any material uncertainties which cast significant doubt on the ability of the company to continue as a going concern for the foreseeable future, considered to be 12 months from the date of signing these financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

1.2 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1

1.3 Turnover

Turnover represents the amounts excluding value added tax receivable during the year for the provision of care and accommodation. Where fees are received in advance, that amount is apportioned over the period which it relates

1.4 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Profit and loss account over its estimated economic life of 3 years

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Leasehold improvements	-	2% straight line
Plant & machinery	-	33% straight line
Motor vehicles	-	20% straight line
Fixtures & fittings	-	15% to 33% straight line
Equipment	-	25% straight line

Notes to the financial statements

For the year ended 31 December 2011

1. Accounting policies (continued)

1.6 Operating leases

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term

In respect of the Cruckton Hall property, incentives built into the lease agreement have been spread on a straight line basis over the term of the lease. However, the annual rent increases reflecting inflation are being charged to the profit and loss account as they fall due as this constitutes an alternative systematic and rational basis to straight line accounting and more appropriately represents the substance and intent of the lease agreement

1.7 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

1.8 Pensions

The company operates a defined contribution pension scheme for certain employees. The assets of the scheme are held separately from those of the company. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme

The company also participates in a multi-employer defined benefit pension scheme, the Teachers' Pension Scheme, for eligible employees. The company pays a grouped contribution rate with other admitted bodies rather than contributing at a separately calculated rate. Consequently it is not possible to identify its share of the underlying assets and liabilities of the scheme. Accordingly the scheme is accounted for as if it were a defined contribution scheme under Financial Reporting Standard 17 and contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme

2. Turnover

The whole of the turnover is attributable to the one principal activity of the company

All turnover arose within the United Kingdom

Notes to the financial statements

For the year ended 31 December 2011

3. Operating profit

The operating profit is stated after charging

	2011 £	2010 £
Amortisation - intangible fixed assets	356,818	357,457
Depreciation of tangible fixed assets		
- owned by the company	104,745	59,383
Operating lease rentals		
- motor vehicles and other	30,261	31,133
- land and buildings	2,062,465	2,069,168
Auditor's remuneration - Audit fees	12,000	11,750
Auditor's remuneration - Non-audit fees	2,400	2,350
	<u>4,568,689</u>	<u>4,590,349</u>

During the year, no director received any emoluments (2010 - £NIL)

4. Staff costs

Staff costs were as follows

	2011 £	2010 £
Wages and salaries	3,864,607	3,948,488
Social security costs	342,924	353,117
Other pension costs	119,154	187,560
	<u>4,326,685</u>	<u>4,489,165</u>

The average monthly number of employees, including the directors, during the year was as follows

	2011 No.	2010 No.
Care, education, establishment and housing staff	176	182
Administrative staff	12	10
	<u>188</u>	<u>192</u>

5. Interest payable

	2011 £	2010 £
On other loans	11,066	54,849
	<u>11,066</u>	<u>54,849</u>

Notes to the financial statements

For the year ended 31 December 2011

6. Taxation

	2011 £	2010 £
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	-	60,000
Deferred tax (see note 12)		
Origination and reversal of timing differences	(7,146)	(13,200)
Tax on profit on ordinary activities	<u>(7,146)</u>	<u>46,800</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2010 - lower than) the standard rate of corporation tax in the UK of 26.49% (2010 - 28%). The differences are explained below

	2011 £	2010 £
Profit on ordinary activities before tax	<u>253,327</u>	<u>314,823</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.49% (2010 - 28%)	67,114	88,152
Effects of:		
Expenses not deductible for tax purposes	10,427	1,803
Depreciation for year in excess of capital allowances	6,776	9,056
Other timing differences leading to an increase in taxation	1,680	5,859
Additional land remediation relief	(2,264)	-
Group relief claimed	(83,733)	(44,870)
Current tax charge for the year (see note above)	<u>-</u>	<u>60,000</u>

Notes to the financial statements

For the year ended 31 December 2011

7. Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2011 and 31 December 2011	1,073,400
Amortisation	
At 1 January 2011	410,733
Charge for the year	356,818
At 31 December 2011	767,551
Net book value	
At 31 December 2011	305,849
At 31 December 2010	662,667

8. Tangible fixed assets

	Leasehold improvements £	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Equipment £	Total £
Cost						
At 1 January 2011	-	25,648	6,341	79,389	41,987	153,365
Additions	345,906	40,693	-	193,673	25,435	605,707
At 31 December 2011	345,906	66,341	6,341	273,062	67,422	759,072
Depreciation						
At 1 January 2011	-	11,297	1,480	45,748	10,147	68,672
Charge for the year	2,472	24,620	1,268	62,209	14,176	104,745
At 31 December 2011	2,472	35,917	2,748	107,957	24,323	173,417
Net book value						
At 31 December 2011	343,434	30,424	3,593	165,105	43,099	585,655
At 31 December 2010	-	14,351	4,861	33,641	31,840	84,693

Notes to the financial statements

For the year ended 31 December 2011

9. Debtors

	2011	2010
	£	£
Trade debtors	1,786,466	1,544,421
Amounts owed by group undertakings	1	1
Other debtors	32,111	26,569
Prepayments and accrued income	1,082,167	530,201
Deferred tax asset (see note 12)	18,386	11,240
	<u>2,919,131</u>	<u>2,112,432</u>

10. Creditors:

Amounts falling due within one year

	2011	2010
	£	£
Trade creditors	65,051	38,333
Amounts owed to group undertakings	452,375	-
Social security and other taxes	98,806	102,165
Other creditors	50,818	21,862
Accruals and deferred income	4,486,121	4,110,787
	<u>5,153,171</u>	<u>4,273,147</u>

11. Creditors:

Amounts falling due after more than one year

	2011	2010
	£	£
Other creditors	-	569,363
Accruals and deferred income	-	26,356
	<u>-</u>	<u>595,719</u>

On 11 March 2011 the company agreed to the early redemption of loan stock amounting to £569,363, together with accrued interest at that date, owed to the funds managed by Bowmark Capital LLP.

12. Deferred tax asset

	2011	2010
	£	£
At beginning of year	11,240	(1,960)
Released during year	7,146	13,200
	<u>18,386</u>	<u>11,240</u>

Notes to the financial statements

For the year ended 31 December 2011

12. Deferred tax asset (continued)

The deferred tax asset is made up as follows

	2011 £	2010 £
Accelerated capital allowances	8,840	2,642
Other timing differences	9,546	8,598
	<u>18,386</u>	<u>11,240</u>

13. Share capital

	2011 £	2010 £
Authorised		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

14. Reserves

	Profit and loss account £
At 1 January 2011	(689,822)
Profit for the year	260,473
At 31 December 2011	<u>(429,349)</u>

15. Reconciliation of movement in shareholders' deficit

	2011 £	2010 £
Opening shareholders' deficit	(689,821)	(957,844)
Profit for the year	260,473	268,023
Closing shareholders' deficit	<u>(429,348)</u>	<u>(689,821)</u>

Notes to the financial statements

For the year ended 31 December 2011

16. Operating lease commitments

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings			Other
	2011	2010	2011	2010
	£	£	£	£
Expiry date.				
Within 1 year	26,250	35,000	2,155	-
Between 2 and 5 years	-	-	26,814	31,133
After more than 5 years	2,055,040	1,976,000	-	-
	<u>2,081,290</u>	<u>2,011,000</u>	<u>28,969</u>	<u>31,133</u>

17. Related party transactions

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8

18. Ultimate parent undertaking and controlling party

The company is a wholly owned subsidiary of Kismul School Holdings Limited, incorporated in England and Wales. Until 23 June 2011, the company was ultimately controlled by funds managed by Bowmark Capital LLP, incorporated in England and Wales.

From 24 June 2011 Educo One Limited, incorporated in England and Wales, is the parent undertaking of the largest group of undertakings for which group financial statements are produced and of which the company is a member.

The ultimate parent undertaking and controlling related party is F A Quartet Investments I S C A , a company registered in Luxembourg.