

Financial Statements Cruckton Hall Limited

For the year ended 31 December 2012



Registered number: 06952821

Cruckton Hall Limited

Company Information

Directors	M Hill R S Perper J A Khan V Kumar A J Murrell
Company secretary	A J Murrell
Company number	06952821
Registered office	The Old Vicarage 61 High Street Swinderby Lincolnshire LN6 9LU
Auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Regent House 80 Regent Road Leicester LE1 7NH
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

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Cruckton Hall Limited

Directors' report

For the year ended 31 December 2012

The directors present their report and the financial statements for the year ended 31 December 2012

Principal activity

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 2012 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

	2010	2011	2012
	%	%	%
Staff costs turnover	51	51	51
Operating profit turnover	4	3	12

Results

The profit for the year, after taxation, amounted to £1,172,973 (2011 - £260,473)

Directors

The directors who served during the year were

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

Directors' report

For the year ended 31 December 2012

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. As a result of the above and having reviewed forecasts for the next two financial years, 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 2012

Directors' responsibilities statement

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

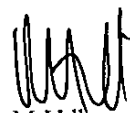
Each of the persons who is a director at the time when this Directors' report is approved has confirmed that

- 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

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 17 April 2013 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 2012, 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 Directors' responsibilities statement, 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 (APB'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 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.



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

19 April 2013

Profit and loss account

For the year ended 31 December 2012

	Note	2012 £	2011 £
Turnover	1,2	9,131,961	8,542,640
Cost of sales		<u>(4,956,940)</u>	<u>(4,749,843)</u>
Gross profit		4,175,021	3,792,797
Administrative expenses		(3,634,424)	(3,528,404)
Exceptional item	6	614,841	-
Total administrative expenses		<u>(3,019,583)</u>	<u>(3,528,404)</u>
Operating profit	3	1,155,438	264,393
Interest receivable and similar income		3,042	-
Interest payable and similar charges	5	<u>-</u>	<u>(11,066)</u>
Profit on ordinary activities before taxation		1,158,480	253,327
Tax on profit on ordinary activities	7	<u>14,493</u>	<u>7,146</u>
Profit for the financial year	14	<u>1,172,973</u>	<u>260,473</u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the Profit and loss account

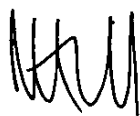
The notes on pages 8 to 15 form part of these financial statements

Balance sheet

As at 31 December 2012

	Note	£	2012 £	£	2011 £
Fixed assets					
Intangible assets	8		-		305,849
Tangible assets	9		292,210		585,655
			292,210		891,504
Current assets					
Debtors	10	1,520,660		2,919,131	
Cash at bank and in hand		3,148,915		913,188	
		4,669,575		3,832,319	
Creditors: amounts falling due within one year	11	(4,218,160)		(5,153,171)	
Net current assets/(liabilities)			451,415		(1,320,852)
Net assets/(liabilities)			743,625		(429,348)
Capital and reserves					
Called up share capital	13		1		1
Profit and loss account	14		743,624		(429,349)
Shareholders' funds/(deficit)	15		743,625		(429,348)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17 April 2013



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 2012

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

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

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

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 in periods to 31 December 2011, incentives built into the lease agreement were spread on a straight line basis over the term of the lease. However, the annual rent increases reflecting inflation were charged to the profit and loss account as they fell due as this constituted an alternative systematic and rational basis to straight line accounting and more appropriately represented the substance and intent of the lease agreement

Notes to the financial statements

For the year ended 31 December 2012

1. Accounting policies (continued)

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 2012

3. Operating profit

The operating profit is stated after charging:

	2012	2011
	£	£
Amortisation - intangible fixed assets	305,849	356,818
Depreciation of tangible fixed assets		
- owned by the company	158,664	104,745
Operating lease rentals		
- motor vehicles and other	103,356	30,261
- land and buildings	88,750	2,062,465
Auditor's remuneration - Audit fees	10,500	12,000
Auditor's remuneration - Non-audit fees	2,500	2,400

During the year, no director received any emoluments (2011 - £NIL)

4. Staff costs

Staff costs were as follows

	2012	2011
	£	£
Wages and salaries	3,976,623	3,864,607
Social security costs	341,134	342,924
Other pension costs	119,824	119,154
	4,437,581	4,326,685

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

	2012	2011
	No.	No.
Care, education, establishment and housing staff	187	176
Administrative staff	12	12
	199	188

5. Interest payable

	2012	2011
	£	£
On other loans	-	11,066

Notes to the financial statements

For the year ended 31 December 2012

6. Exceptional item

	2012 £	2011 £
Exceptional release of net rental provisions on changes to tenancy	<u>614,841</u>	<u>-</u>

7. Taxation

	2012 £	2011 £
Analysis of tax charge in the year		
Deferred tax		
Origination and reversal of timing differences	(12,934)	(7,146)
Effect of increased tax rate on opening liability	(1,559)	-
Total deferred tax (see note 12)	<u>(14,493)</u>	<u>(7,146)</u>
Tax on profit on ordinary activities	<u>(14,493)</u>	<u>(7,146)</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2011 - lower than) the standard rate of corporation tax in the UK of 24.5% (2011 - 26.49%). The differences are explained below

	2012 £	2011 £
Profit on ordinary activities before tax	<u>1,158,480</u>	<u>253,327</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011 - 26.49%)	283,796	67,114
Effects of		
Expenses not deductible for tax purposes	1,316	10,427
Depreciation for year in excess of capital allowances	17,595	6,776
Other timing differences leading to a (decrease) / increase in taxation	(1,993)	1,680
Additional land remediation relief	(402)	(2,264)
Group relief claimed	(300,312)	(83,733)
Current tax charge for the year	<u>-</u>	<u>-</u>

Notes to the financial statements

For the year ended 31 December 2012

8. Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2012 and 31 December 2012	1,073,400
Amortisation	
At 1 January 2012	767,551
Charge for the year	305,849
At 31 December 2012	1,073,400
Net book value	
At 31 December 2012	-
At 31 December 2011	305,849

9. Tangible fixed assets

	Leasehold improvements £	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Equipment £	Total £
Cost						
At 1 January 2012	345,906	66,341	6,341	273,062	67,422	759,072
Additions	-	36,425	-	142,616	29,612	208,653
Transfers intra group	(345,906)	-	-	-	-	(345,906)
At 31 December 2012	-	102,766	6,341	415,678	97,034	621,819
Depreciation						
At 1 January 2012	2,472	35,917	2,748	107,957	24,323	173,417
Charge for the year	-	31,580	1,268	105,582	20,234	158,664
Transfers intra group	(2,472)	-	-	-	-	(2,472)
At 31 December 2012	-	67,497	4,016	213,539	44,557	329,609
Net book value						
At 31 December 2012	-	35,269	2,325	202,139	52,477	292,210
At 31 December 2011	343,434	30,424	3,593	165,105	43,099	585,655

Notes to the financial statements

For the year ended 31 December 2012

10. Debtors

	2012	2011
	£	£
Trade debtors	1,369,172	1,786,466
Amounts owed by group undertakings	-	1
Other debtors	2,866	32,111
Prepayments and accrued income	115,743	1,082,167
Deferred tax asset (see note 12)	32,879	18,386
	<u>1,520,660</u>	<u>2,919,131</u>

11. Creditors:

Amounts falling due within one year

	2012	2011
	£	£
Trade creditors	52,347	65,051
Amounts owed to group undertakings	1,099,082	452,375
Social security and other taxes	92,865	98,806
Other creditors	41,029	50,818
Accruals and deferred income	2,932,837	4,486,121
	<u>4,218,160</u>	<u>5,153,171</u>

12. Deferred tax asset

	2012	2011
	£	£
At beginning of year	18,386	11,240
Released during year	14,493	7,146
	<u>32,879</u>	<u>18,386</u>

The deferred tax asset is made up as follows

	2012	2011
	£	£
Accelerated capital allowances	27,965	8,840
Other timing differences	4,914	9,546
	<u>32,879</u>	<u>18,386</u>

Notes to the financial statements

For the year ended 31 December 2012

13. Share capital

	2012 £	2011 £
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 2012	(429,349)
Profit for the year	<u>1,172,973</u>
At 31 December 2012	<u>743,624</u>

15. Reconciliation of movement in shareholders' funds

	2012 £	2011 £
Opening shareholders' deficit	(429,348)	(689,821)
Profit for the year	<u>1,172,973</u>	<u>260,473</u>
Closing shareholders' funds/(deficit)	<u>743,625</u>	<u>(429,348)</u>

16. Contingent liabilities

The company is bound by an unlimited multilateral cross guarantee with an intermediate parent undertaking, Educo Three Limited in respect of bank borrowings. The maximum amount for which the company would become liable for at 31 December 2012 as a result of this arrangement was £63,486,597 (2011 £55,550,000). These borrowings are secured by fixed and floating charges over the assets and undertaking of the company.

Notes to the financial statements

For the year ended 31 December 2012

17. Operating lease commitments

At 31 December 2012 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings			Other
	2012	2011	2012	2011
	£	£	£	£
Expiry date:				
Within 1 year	83,333	26,250	6,653	2,155
Between 2 and 5 years	-	-	96,703	26,814
After more than 5 years	-	2,055,040	-	-

18. Related party transactions

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

19. Ultimate parent undertaking and controlling party

The company is a wholly owned subsidiary of Kismul School Holdings Limited, incorporated in England and Wales

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 II SCA, a company registered in Luxembourg