

Health and Care Services (UK) Limited
Annual report and financial statements
for the year ended 31 December 2012

Registered number: 2083074

WEDNESDAY



A2HN1OG2

A27

25/09/2013

#9

COMPANIES HOUSE

Health and Care Services (UK) Limited
Annual report and financial statements
for the year ended 31 December 2012
Contents

Directors' report for the year ended 31 December 2012	1
Independent auditors' report to the members of Health and Care Services (UK) Limited	4
Profit and loss account for the year ended 31 December 2012	6
Statement of total recognised gains and losses for the year ended 31 December 2012	7
Note of historical cost profits and losses for the year ended 31 December 2012	7
Balance sheet as at 31 December 2012	8
Statement of accounting policies	9
Notes to the financial statements for the year ended 31 December 2012	12

Health and Care Services (UK) Limited

Directors' report for the year ended 31 December 2012

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

Principal activities and review of business

The principal activity of the company continues to be care delivery. The results for the year are set out in the profit and loss account on page 6 and the position of the company as at the year end is set out in the balance sheet on page 8.

The company is focussed on the elderly care sector and the performance of the company can be impacted by external factors. The principal factors are changes in the UK government's policy towards funding of elderly care, changes in the regulatory regime and competitive threats from other independent providers. Management uses a range of financial and non-financial indicators to manage the business. These are derived from all areas of the business and include sales growth by unit, occupancy and profit margins achieved. Operating profit margins have decreased from 18.3% in 2011 to (3.5)% in 2012.

Further information regarding the operations and key performance indicators of the group are set out in the directors' report of Priory Group No. 1 Limited.

Key performance indicators

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business. The development, performance and position of Priory Group No. 1 Limited, which includes the company, are discussed in the group's annual report which does not form part of this report.

Financial risk management

The company's operations mean that it is exposed to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and interest rate risk. The directors monitor the risks in order to limit the adverse effects on the financial performance by reviewing levels of debt finance and the related finance costs, however these are integrated with the risks of the group and not managed separately. Accordingly, the financial risk management policies of Priory Group No. 1 Limited, which include those of the company, are discussed in the group's annual report which does not form part of this report.

Principal risks and uncertainties

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of Priory Group No. 1 Limited, which include those of the company, are discussed in the group's annual report which does not form part of this report.

Future developments

The future developments of the company are aligned to the strategy of the Priory Group, headed by Priory Group No. 1 Limited. The group's strategy for the future development of the business is included in the group's annual report, which does not form part of this report.

Health and Care Services (UK) Limited

Directors' report for the year ended 31 December 2012 (continued)

Dividends

The directors do not recommend the payment of a dividend (2011: £nil)

Directors

The directors of the company who held office during the year and up to the date of signing the financial statements were as follows

Philip Scott	(resigned 28 November 2012)
Jason Lock	
Matthew Franzidis	
Christopher Thompson	(resigned 20 June 2013)
Tom Riall	(appointed 5 April 2013)

Changes in tangible assets

The movements in tangible assets during the year are set out in note 7 to the financial statements. The directors believe there is no significant difference between the market value and the balance sheet value of land.

Employees

The directors recognise that the continued position of the company in the elderly care sector depends on the quality and motivation of its employees and as such the company is committed to pursue employment policies, which will continue to attract, retain and motivate its employees.

Good and effective employee communications are particularly important, and throughout the business it is the directors' policy to promote the understanding by all employees of the company's business aims and performance. This is achieved through internal publications, presentations on performance and a variety of other approaches appropriate for a particular location. Employees are consulted on issues through workshops, which are run regularly across the group.

The directors believe that it is important to recruit and retain capable and caring staff regardless of their sex, marital status, race or religion. It is the company's policy to give full and fair consideration to applications for employment from people who are disabled, to continue wherever possible the employment of and to arrange appropriate training for, employees who become disabled and to provide equal opportunities for the career development, training and promotion of disabled employees.

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

Provision of information to auditors

Each of the persons who are directors 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 auditors are 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 auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

Health and Care Services (UK) Limited

Directors' report for the year ended 31 December 2012 (continued)

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 prepared 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 judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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.

By order of the board



David Hall
Company Secretary
4 September 2013

80 Hammersmith Road
London
England
W14 8UD

Health and Care Services (UK) Limited

Independent auditors' report to the members of Health and Care Services (UK) Limited

We have audited the financial statements of Health and Care Services (UK) Limited for the year ended 31 December 2012 which comprise the profit and loss account, the statement of total recognised gains and losses, the note of historical cost profits and losses, the balance sheet, the statement of accounting policies 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).

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 3 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 loss 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.

Health and Care Services (UK) Limited

Independent auditors' report to the members of Health and Care Services (UK) Limited (continued)

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



Richard Bunter (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Newcastle upon Tyne

4 September 2013

Health and Care Services (UK) Limited

Profit and loss account for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Turnover	1	660	3,472
Cost of sales		(665)	-
Gross (loss)/profit		(5)	3,472
Administrative expenses		(18)	(2,838)
Operating (loss)/ profit		(23)	634
Interest payable and similar charges	5	(1)	-
Other finance income	14	3	-
(Loss)/profit on ordinary activities before taxation	2	(21)	634
Tax on (loss)/profit on ordinary activities	6	(343)	(295)
(Loss)/profit for the financial year	13	(364)	339

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

Health and Care Services (UK) Limited

Statement of total recognised gains and losses for the year ended 31 December 2012

		2012	2011
	Note	£'000	£'000
(Loss)/profit for the financial year		(364)	339
Loss on revaluation	7	-	(74)
Actuarial loss on retirement benefit schemes	14	(52)	(36)
Deferred taxation credit on actuarial loss		12	10
Total recognised gains and losses for the year		(404)	239

Note of historical cost profits and losses for the year ended 31 December 2012

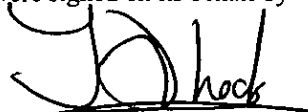
	2012	2011
	£'000	£'000
Reported (loss)/profit on ordinary activities before taxation	(21)	634
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	11	65
Historical cost (loss)/profit for the year before taxation	(10)	699
Historical cost (loss)/profit for the financial year	(353)	404

Health and Care Services (UK) Limited

Balance sheet as at 31 December 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	7	1,647	1,384
Current assets			
Debtors	8	14,006	14,662
Cash at bank and in hand		1	1
		14,007	14,663
Creditors amounts falling due within one year	9	(388)	(332)
Net current assets		13,619	14,331
Total assets less current liabilities		15,266	15,715
Creditors amounts falling due after more than one year	10	(4,013)	(4,001)
Net assets excluding pension asset		11,253	11,714
Pension asset	14	72	15
Net assets		11,325	11,729
Capital and reserves			
Called up share capital	11	601	601
Share premium account	12	177	177
Revaluation reserve	12	806	817
Profit and loss account	12	9,698	10,091
Other reserves	12	43	43
Total shareholders' funds	13	11,325	11,729

The financial statements on pages 6 to 24 were approved by the board of directors on 4 September 2013 and were signed on its behalf by



Jason Lock

Director

Registered number 2083074

Health and Care Services (UK) Limited

Statement of 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 on the going concern basis in accordance with applicable UK accounting standards, the Companies Act 2006 and under the historical cost convention, as modified by the revaluation of certain tangible assets

In the prior year Health and Care Services (UK) Limited was subject to a facilities agreement with a fellow group company Craegmoor Facilities Company Limited whereby all costs of sales were borne by Craegmoor Facilities Company Limited and recharged as a management charge in the year

Under Financial Reporting Standard 1 'Cash flow statements' (revised 1996) 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 publicly available consolidated financial statements

As the company is a wholly owned subsidiary of Priory Group No 1 Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 'Related party disclosures' and has therefore not disclosed transactions or balances with entities which form part of the group

Tangible assets and depreciation

The cost of tangible assets is their purchase cost, and any costs directly attributable to bringing them into working condition for their intended use Land and buildings are revalued by independent, professionally qualified valuers at least every five years These valuations are carried out on an existing use, open market value basis, and in the intervening years are updated by the directors with the assistance of independent professional advice as required

Increases in the revalued amounts of land and buildings are credited to revaluation reserves

Freehold land is not depreciated Subsequent to a revaluation, depreciation is based on revalued amounts Depreciation on tangible assets, other than land, is calculated to write off their cost, less estimated residual values, by equal annual instalments on the following bases

Freehold buildings	-	over 50 years
Furniture and fittings	-	over 3, 5 or 10 years
Motor vehicles	-	over the shorter of the lease term and 4 years

Provision is made for any impairment in the period in which it arises The impairment is calculated by comparing the carrying value to the recoverable amount as required by FRS 11, 'Impairment of fixed assets and goodwill' The recoverable amount of land and buildings is taken to be the higher of realisable value and value in use Value in use is determined by reference to the expected future cash flows of the care home, discounted at a risk weighted cost of capital determined from time to time based on the capital structure of the group Realisable value is determined by independent, professional valuers on an existing use, open market value basis

Health and Care Services (UK) Limited

Statement of accounting policies (continued)

Tangible assets and depreciation (continued)

Provisions for impairment in the carrying value of land and buildings are charged against revaluation reserves in the balance sheet to the extent that they relate to a reversal of prior increases. Impairments to below historical cost are charged to the profit and loss account. Reversals of previous impairments are credited to the profit and loss account to the extent that they return the asset carrying value to its depreciated historical cost, with any amount over and above that being credited to the revaluation reserve.

Investments

Investments in subsidiaries are stated at cost less provision for any impairment in value.

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.

Pension scheme

The company operates a defined benefit pension scheme and accounts for it in accordance with FRS17 'Retirement benefits'.

Contributions to employees' private pension schemes are recognised as they become due.

In respect of the defined benefit plan, obligations are measured at discounted present value whilst plan assets are measured at fair value. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. Where the calculation of the net balance of plan assets and plan obligations results in a benefit to the company, the recognised asset is limited to the present value of any available future refunds from the plan or reductions in future contributions to the plan. The operating and finance costs of the plan are recognised in the income statement. Current service costs are spread systematically over the lives of employees and financing costs are recognised in full in the period in which they arise. Past service costs are recognised immediately in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the Statement of total recognised gains and losses.

Health and Care Services (UK) Limited

Statement of accounting policies (continued)

Deferred taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

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

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 the 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. Revenue invoiced in advance is included in deferred income until service is provided. Revenue in respect of services provided but not yet invoiced by the period end is included within accrued income

Provisions

Provisions for dilapidation lease costs are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. The provisions are not discounted and not recognised for future operating loss

Health and Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2012

1 Turnover

The company's turnover, (loss)/profit on ordinary activities before taxation and net assets arise primarily from its principal activity of care delivery

All turnover and (loss)/profit on ordinary activities before taxation arose within the United Kingdom and from one class of business

2 (Loss)/profit on ordinary activities before taxation

(Loss)/profit on ordinary activities before taxation is stated after charging

	2012	2011
	£'000	£'000
Depreciation of tangible assets		
Owned	49	132
Leased	3	-
Management charges from fellow subsidiary	7	2,739
Profit or loss on transfer of assets	-	35

The prior year management charges from fellow subsidiary undertakings, Craegmoor Facilities Company Limited and Craegmoor Healthcare Company Limited, relate to an allocation of operating costs incurred on behalf of the company and its fellow subsidiaries

The remuneration of the auditors of £1,000 (2011 £1,000) was borne by another group undertaking

3 Remuneration of directors

The costs relating to the directors' services have been borne by Craegmoor Facilities Company Limited, up to 14 April 2011, and by Priory Central Services Limited since the acquisition of the Craegmoor Group by the Priory Group on 14 April 2011. 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

Health and Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

4 Staff numbers and costs

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

	2012	2011
	Number	Number
Analysis by activity		
Nursing	39	26
Ancillary	5	5
Administrative	2	2
	46	33

The aggregate payroll costs of these persons were as follows

	2012	2011
	£'000	£'000
Wages and salaries	448	-
Social security costs	29	-
Other pension costs (note 14)	33	31
Management charges in lieu of staff costs	-	1,935
	510	1,966

5 Interest payable and similar charges

	2012	2011
	£'000	£'000
On finance leases and hire purchase contracts	1	-

Health and Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

6 Tax on (loss)/profit on ordinary activities

	2012	2011
	£'000	£'000
UK corporation tax		
Current tax charge arising in the year	327	324
Adjustment in respect of prior periods	(13)	-
Total current tax charge	314	324
Deferred tax		
Deferred tax on pension	28	(10)
Effect of tax rate change on opening balance	2	-
Origination and reversal of timing differences	(1)	(19)
Total deferred tax charge/(credit)	29	(29)
Total tax charge	343	295

The current tax charge of £314,000 (2011 £324,000) on the loss 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 24.49% (2011 26.49%). The actual tax charge for the year is higher (2011 higher) than the standard rate for the reasons set out in the following reconciliation

	2012	2011
	£'000	£'000
(Loss)/profit on ordinary activities before taxation	(21)	634
Tax on (loss)/profit on ordinary activities at standard rate	(5)	168
Factors affecting charge for the year		
Expenses not deductible for tax purposes	(24)	20
Capital allowances for the year less than depreciation	1	3
Transfer pricing adjustments	355	133
Adjustment in respect of prior periods	(13)	-
Total current tax charge for the year	314	324

Health and Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

6 Tax on (loss)/profit on ordinary activities (continued)

The standard rate of corporation tax in the UK changed from 26% to 24% with effect from 1 April 2012. A further reduction in this corporation tax rate effective on 1 April 2013 from 24% to 23% was substantively enacted for the purposes of FRS 16 on 3 July 2012. Accordingly, the company's loss for this accounting period is taxed at an effective rate of 24.49% and deferred taxation has been calculated based on a rate of 23%.

In the budget speech on 20 March 2013, further rate changes to 21% from April 2014 and 20% from April 2015 were announced. These rate reductions have not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The overall effect of the further change from 23% to 20%, if these applied to the deferred tax balance at the balance sheet date, would be immaterial.

No provision has been made for deferred taxation on gains recognised on revaluing property to its market value. Such tax would become payable only if the property was sold without it being possible to claim rollover relief or utilise available losses. The total amount unprovided for at 23% is £98,000 (2011: £120,000 at 25%).

7 Tangible assets

	Freehold land and buildings £'000	Furniture and fittings £'000	Motor vehicles £'000	Total £'000
Cost or valuation				
At 1 January 2012	1,395	90	-	1,485
Additions	-	291	24	315
At 31 December 2012	1,395	381	24	1,800
Accumulated depreciation				
At 1 January 2012	53	48	-	101
Charge for the year	16	33	3	52
At 31 December 2012	69	81	3	153
Net book amount				
At 31 December 2012	1,326	300	21	1,647
At 31 December 2011	1,342	42	-	1,384

Health and Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

7 Tangible assets (continued)

All motor vehicles are held under finance leases

The Craegmoor Group was acquired by the Priory Group on 14 April 2011. On this date the land and buildings were valued by external valuers Knight Frank on the basis of existing value in use in accordance with the appraisal and valuation manual of the Royal Institution of Chartered Surveyors.

In accordance with accounting requirements the entire portfolio will be re-valued every five years, the next valuation being 14 April 2016, together with interim valuations every three years.

The impact of these valuation techniques can be summarised as follows:

	2012	2011
	£'000	£'000
Loss on revaluation		
Charged to revaluation reserve	-	(74)

If land and buildings had not been revalued they would have been included at the following amounts:

	2012	2011
	£'000	£'000
Cost	639	639
Aggregate depreciation	(119)	(114)
Net book value	520	525

Health and Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

8 Debtors

	2012	2011
	£'000	£'000
Trade debtors	38	69
Amounts owed by group undertakings	13,937	14,360
Other debtors	-	174
Deferred tax asset	29	29
Prepayments and accrued income	2	30
	14,006	14,662

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand

	£'000
Deferred tax	
As at 1 January 2012 and 31 December 2012	29

An analysis of deferred tax assets, included within debtors is as follows

	2012	2011
	£'000	£'000
Accelerated capital allowances	19	19
Other differences	10	10
	29	29

Health and Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

9 Creditors: amounts falling due within one year

	2012	2011
	£'000	£'000
Group relief payable	314	324
Obligations under finance leases and hire purchase contracts (note 10)	5	-
Taxation and social security	10	-
Other creditors	12	8
Accruals and deferred income	47	-
	388	332

10 Creditors: amounts falling due after more than one year

	2012	2011
	£'000	£'000
Amounts owed to group undertakings	4,001	4,001
Obligations under finance leases and hire purchase contracts	12	-
	4,013	4,001

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. However, the relevant group undertaking has confirmed to the directors of the company that it will not seek repayment of this loan within twelve months after the year end.

Obligations under finance leases and hire purchase contracts are payable as follows

	2012	2011
	£'000	£'000
Within one year	5	-
In more than one year, but not more than five years	12	-
	17	-

Health and Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

11 Called up share capital

	2012	2011
	£'000	£'000
Authorised		
700,000 (2011 700,000) ordinary shares of £1 each	700	700
Issued and fully paid		
601,300 (2011 601,300) ordinary shares of £1 each	601	601

12 Reserves

	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000	Other reserves £'000
At 1 January 2012	177	817	10,091	43
Loss for the financial year	-	-	(364)	-
Transfer between reserves – depreciation	-	(11)	11	-
Actuarial loss on retirement benefit scheme	-	-	(52)	-
Taxation on loss on retirement benefit scheme	-	-	12	-
	177	806	9,698	43

13 Reconciliation of movements in shareholders' funds

	2012	2011
	£'000	£'000
(Loss)/profit for the financial year	(364)	339
Loss on revalued properties	-	(74)
Actuarial loss on retirement benefit schemes	(52)	(36)
Taxation on credit on retirement benefit schemes	12	10
Net (deduction)/addition to shareholders' funds	(404)	239
Opening shareholders' funds	11,729	11,490
Closing shareholders' funds	11,325	11,729

Health and Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

14 Pension scheme

The company operates a defined benefit pension scheme, the 'Health & Care Services (UK) Limited Pension and Life Assurance Scheme' for staff at one of its homes. The scheme is professionally valued tri-annually, under the projected unit method.

An actuarial valuation of the Health & Care Services (UK) Limited pension scheme using the projected unit basis was carried out on the 10 November 2010 by Legal & General Assurance Society, independent consulting actuaries.

The total contributions to the scheme are 60.5% of pensionable salary, 6% is payable by the employees and 54.5% by the company.

The total net pension cost to the company for the year ended 31 December 2012 was £49,000 (2011: £36,000).

The major assumptions used by the actuary were:

	2012	2011
	%	%
Discount rate	4.3	4.6
Inflation rate	2.9	2.7
Rate of increase in salaries	2.9	2.7
Rate of increase in pensions in payment	2.9	2.7

The mortality assumptions used were as follows:

	2012	2011
	Years	Years
Longevity at age 60 for current pensioners		
Men	29.7	29.6
Women	31.7	31.6
Longevity at age 60 for future pensioners		
Men	31.3	31.2
Women	33.3	33.2

Health and Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

14 Pension scheme (continued)

Actuarial valuation

The actuarial valuation at 31 December 2012 showed the surplus of the schemes at £93,000. Based on the current Schedule of Contributions and pensionable salaries the total contributions expected to be made to the scheme by Health & Care Service (UK) Limited in the year to 31 December 2013 is £180,000.

The assets of the scheme and the expected rate of return and liabilities of the scheme at 31 December were

	Long term rate of return expected at 31 December 2012 %	Value at 31 December 2012 £'000	Long term rate of return expected at 31 December 2011 %	Value at 31 December 2011 £'000
Other – deposit administration contract	3.6	1,387	4.5	1,102
Market value of scheme assets		1,387		1,102
Present value of scheme liabilities		(1,294)		(1,082)
Surplus in the scheme		93		20
Deferred tax liability on scheme surplus		(21)		(5)
		72		15

Reconciliation of present value of scheme liabilities

	2012 £'000	2011 £'000
At 1 January	1,082	999
Current accrual cost	38	36
Interest cost	51	54
Experience loss/(gain) on liabilities	10	(9)
Loss on changes in assumptions	70	13
Change in secured pensioner value	43	(11)
At 31 December	1,294	1,082

Health and Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

14 Pension scheme (continued)

Reconciliation of fair value of scheme assets

	2012	2011
	£'000	£'000
At 1 January	1,102	1,018
Expected return on assets	54	54
Gain/(loss) on asset return	28	(32)
Employer contributions	166	77
Expenses paid by scheme	(11)	(9)
Employee contributions	5	5
Experience change in secured pensioner value	43	(11)
At 31 December	1,387	1,102

The surplus at 31 December 2012 has been recognised in the company's accounts as, in the view of the directors, the company will be able to recover this amount through future reductions in employer contributions

Scheme assets do not include any of Health & Care Services (UK) Limited's own financial instruments, or any property occupied by Health & Care Services (UK) Limited

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets

In the current year there was an actual return on assets of £82,000 (2011 £22,000)

Analysis of the amount charged to operating profit

	2012	2011
	£'000	£'000
Current service cost	33	31
Expenses paid in year	11	9
Total operating charge	44	40

All of the current service cost of £33,000 (2011 £31,000) is included within cost of sales (2011 administrative expenses)

Health and Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

14 Pension scheme (continued)

Analysis of the amount credited to other finance income

	2012	2011
	£'000	£'000
Expected return on pension scheme assets	54	54
Interest on pension scheme liabilities	(51)	(54)
Net return	3	-

Analysis of the amount charged to the Statement of total recognised gains and losses

	2012	2011
	£'000	£'000
Experience (loss)/gain on liabilities	(10)	9
(Loss)/gain on change in assumptions	(70)	(13)
Gain/(loss) on asset return	28	(32)
	(52)	(36)

Analysis of amount recognised in Statement of total recognised gains and losses

	2012	2011	2010	2009	2008
	£'000	£'000	£'000	£'000	£'000
Defined benefit obligation	(1,294)	(1,082)	(999)	(968)	(677)
Plan assets	1,387	1,102	1,018	987	878
Surplus	93	20	19	19	201
Experience adjustments on plan assets	28	(32)	44	(29)	(180)
Experience adjustments on liabilities	(10)	9	(10)	(61)	6
Total amounts recognised in the Statement of total recognised gains and losses	(52)	(36)	(56)	(287)	(32)

The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses is a loss of £495,000 (2011 £443,000)

Health and Care Services (UK) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

15 Commitments

At 31 December 2012 the company had no capital commitments (2011 £250,000)

16 Ultimate parent company and controlling party

The company's immediate parent company, which is incorporated in England, is Craegmoor Older People Care (Holdings) Limited

The ultimate parent undertaking and controlling party is Priory Group No 1 Limited, a company incorporated in England. Priory Group No 1 Limited is beneficially owned by funds managed by Advent International Corporation which is considered by the directors to be the ultimate controlling party of the company.

Priory Group No 1 Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2012. Priory Group No 3 PLC is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2012. The consolidated financial statements of Priory Group No 1 Limited and Priory Group No 3 PLC can be obtained from the Company Secretary at 80 Hammersmith Road, London, W14 8UD.