

Health & Care Services (UK) Limited

Annual Report and Unaudited Financial Statements

for the Year Ended 31 December 2017

Registration number: 02083074

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Health & Care Services (UK) Limited

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Health & Care Services (UK) Limited

Company Information

Directors	Trevor Torrington Nigel Myers
Company secretary	David Hall
Registered office	Fifth Floor 80 Hammersmith Road London W14 8UD

Health & Care Services (UK) Limited

Strategic Report for the Year Ended 31 December 2017

The directors present their strategic report for the year ended 31 December 2017.

Fair review of the business

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 social 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 outsourcing of 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.

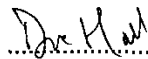
The company's management is satisfied with the performance for the year, and is committed to a continued growth strategy.

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 UK 1 Limited (formerly Partnerships in Care UK 1 Limited), an intermediate parent of the company, is discussed in the group's financial statements which includes the company and 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 principle risks and uncertainties of Priory Group UK 1 Limited (formerly Partnerships in Care UK 1 Limited), which include those of the company, are discussed in the group's financial statements which do not form part of this report.

Approved by the Board on 21 August 2018 and signed on its behalf by:



David Hall
Company secretary

Health & Care Services (UK) Limited

Directors' Report for the Year Ended 31 December 2017

The directors present their report and the unaudited financial statements for the year ended 31 December 2017.

Principal activity

The principal activity of the company is care delivery.

Directors' of the company

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

Trevor Torrington

Nigel Myers

Dividends

The directors do not recommend the payment of a final dividend (2016: £nil). No dividends were paid during the year (2016: £nil).

Financial instruments

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 UK 1 Limited (formerly Partnerships in Care UK 1 Limited), which include those of the company, are discussed in the group's financial statements which do not form part of this report.

Employee involvement

The directors recognise that the continued position of the company in this 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.

Employment of disabled persons

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 arranged appropriate training for, employees who become disabled and to provide equal opportunities for the career development, training and promotion of disabled employees.

Future developments

The future developments of the company are aligned to the strategy of the UK group, headed by Priory Group UK 1 Limited (formerly Partnerships in Care UK 1 Limited). The group's strategy for the future development of the business is included in the group's financial statements, which do not form part of this report.

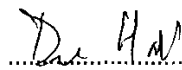
Health & Care Services (UK) Limited

Directors' Report for the Year Ended 31 December 2017 (continued)

Going concern

The intermediate parent company, Priory Group UK 1 Limited (formerly Partnerships in Care UK 1 Limited), has confirmed that it will continue to provide financial support to the company for the foreseeable future and for at least twelve months from the date of approval of these financial statements. Accordingly the financial statements have been prepared on the going concern basis.

Approved by the Board on 21 August 2018 and signed on its behalf by:

A handwritten signature in dark ink, appearing to read 'David Hall', is written over a dotted line.

David Hall
Company secretary

Health & Care Services (UK) Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has 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.

Health & Care Services (UK) Limited

Profit and Loss Account for the Year Ended 31 December 2017

	Note	2017 £ 000	2016 £ 000
Turnover	4	826	817
Cost of sales		<u>(752)</u>	<u>(910)</u>
Gross profit/(loss)		74	(93)
Administrative expenses		<u>(1)</u>	<u>(29)</u>
Operating profit/(loss)	5	73	(122)
Interest payable and similar charges	14	<u>-</u>	<u>(8)</u>
Profit/(loss) before tax		73	(130)
Tax on profit/(loss) on ordinary activities	8	<u>(75)</u>	<u>(91)</u>
Loss for the year		<u><u>(2)</u></u>	<u><u>(221)</u></u>

The above results were derived from continuing operations.

The notes on pages 10 to 22 form an integral part of these financial statements.

Health & Care Services (UK) Limited

Statement of Comprehensive Income for the Year Ended 31 December 2017

	Note	2017 £ 000	2016 £ 000
Loss for the year		(2)	(221)
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain/loss on defined benefit pension schemes before tax		19	(93)
Income tax effect		(3)	16
		16	(77)
Total comprehensive income for the year		14	(298)

The notes on pages 10 to 22 form an integral part of these financial statements.

Health & Care Services (UK) Limited

(Registration number: 02083074)

Balance Sheet as at 31 December 2017


	Note	2017 £ 000	2016 £ 000
Fixed assets			
Tangible assets	9	1,416	1,463
Current assets			
Debtors	10	9,159	9,272
Cash at bank and in hand	11	2	1
		9,161	9,273
Creditors: Amounts falling due within one year	12	(143)	(302)
Net current assets		9,018	8,971
Total assets less current liabilities		10,434	10,434
Provisions for liabilities	8	(155)	(150)
Net assets excluding pension asset		10,279	10,284
Net pension asset	14	125	106
Net assets		10,404	10,390
Capital and reserves			
Called up share capital	13	601	601
Share premium reserve		177	177
Profit and loss account		9,626	9,612
Shareholders' funds		10,404	10,390

For the financial year ending 31 December 2017 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476; and
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

Approved by the Board on 21 August 2018 and signed on its behalf by:



 Nigel Myers
 Director

The notes on pages 10 to 22 form an integral part of these financial statements.

Health & Care Services (UK) Limited

Statement of Changes in Equity for the Year Ended 31 December 2017

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2017	601	177	9,612	10,390
Loss for the year	-	-	(2)	(2)
Other comprehensive income	-	-	16	16
Total comprehensive income	-	-	14	14
At 31 December 2017	601	177	9,626	10,404

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2016	601	177	9,910	10,688
Loss for the year	-	-	(221)	(221)
Other comprehensive income	-	-	(77)	(77)
Total comprehensive income	-	-	(298)	(298)
At 31 December 2016	601	177	9,612	10,390

The notes on pages 10 to 22 form an integral part of these financial statements.

Health & Care Services (UK) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2017

1 General information

The company is a private company limited by share capital incorporated and domiciled in United Kingdom.

The address of its registered office is:

Fifth Floor
80 Hammersmith Road
London
W14 8UD
United Kingdom

These financial statements were authorised for issue by the Board on 21 August 2018.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

The financial statements are presented in sterling, rounded to the nearest thousand.

Summary of disclosure exemptions

FRS 101 sets out a reduced disclosure framework for a "qualifying entity" as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The Company is a qualifying entity for the purposes of FRS 101. Note 15 gives details of the Company's ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

The principle disclosure exemptions adopted by the Company in accordance with FRS 101 are as follows:

- Statement of cash flows;
- IFRS 7 financial instrument disclosures;
- IAS 1 information on management of capital;
- IAS 8 disclosures in respect of new standards and interpretations that have been issued but which are not yet effective;
- IAS 24 disclosure of key management personnel compensation;
- IAS 24 disclosures in respect of related party transactions entered into between fellow group companies (the company had no other related party transactions); and
- Roll-forward reconciliations in respect of share capital (IAS 1) and property, plant and equipment (IAS 16).

Health & Care Services (UK) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

Going concern

The financial statements have been prepared on a going concern basis. The intermediate parent company, Priory Group UK 1 Limited (formerly Partnerships in Care UK 1 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.

Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 January 2017 have had a material effect on the financial statements.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Revenue is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

The company recognises revenue when:

The amount of revenue can be reliably measured;

it is probable that future economic benefits will flow to the entity;

and specific criteria have been met for each of the company activities.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

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.

Tangible assets

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Health & Care Services (UK) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Freehold buildings	over 50 years
Short leasehold land and buildings	over the lease term
Fixture and fittings	over 3 to 16 years
Motor vehicles	over shorter of the lease term and 4 years

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade debtors

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Trade creditors

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Impairment of non-financial assets

Property, plant and equipment is tested for impairment by management when a trigger event that might affect asset values has occurred. An impairment loss is recognised in the profit and loss account to the extent that the carrying amount cannot be recovered either by selling the asset or by the discounted future earnings from an income-generating unit, which is an individual business operational unit.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Health & Care Services (UK) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

Defined benefit pension obligation

The company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan. The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets.

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 defined benefit obligation is calculated using the projected unit credit method. Annually the Company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and have terms approximating to the estimated period of future payments.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period which they arise. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of the plan assets. The cost is recognised in profit or loss as a finance expense.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period then ended. Management bases its estimates on historical experience and various other assumptions that are considered to be reasonable in the particular circumstances. Actual results may differ from these estimates.

Estimates are used in accounting for allowances for uncollected receivables, depreciation, taxes and contingencies. Estimates and assumptions are reviewed periodically and the effects of the revision are reflected in the financial statements in the period that an adjustment is determined to be required.

Significant accounting judgements have been applied with respect to the valuation of deferred tax assets. Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular, judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income.

Health & Care Services (UK) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2017 (continued)

4 Turnover

The analysis of the company's turnover for the year from continuing operations is as follows:

	2017 £ 000	2016 £ 000
Rendering of services	<u>826</u>	<u>817</u>

All turnover and profit on ordinary activities before taxation arose within the United Kingdom and from one class of business.

5 Operating profit

Arrived at after charging/(crediting)

	2017 £ 000	2016 £ 000
Depreciation expense	<u>53</u>	<u>64</u>

6 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2017 £ 000	2016 £ 000
Wages and salaries	503	519
Social security costs	38	37
Pension costs, defined contribution scheme	<u>3</u>	<u>4</u>
	<u>544</u>	<u>560</u>

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

	2017 No.	2016 No.
Administration and support	9	10
Other departments	<u>23</u>	<u>27</u>
	<u>32</u>	<u>37</u>

7 Directors' remuneration

The costs relating to the directors' services have been borne by Priory Central Services Limited, a fellow group company. No amounts (2016: £nil) 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 & Care Services (UK) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2017 (continued)

8 Income tax

Tax charged/(credited) in the profit and loss account

	2017 £ 000	2016 £ 000
Current taxation		
UK corporation tax	73	98
Deferred taxation		
Arising from origination and reversal of temporary differences	<u>2</u>	<u>(7)</u>
Tax expense in the profit and loss account	<u>75</u>	<u>91</u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2016 - higher than the standard rate of corporation tax in the UK) of 19.25% (2016 - 20%).

The differences are reconciled below:

	2017 £ 000	2016 £ 000
Profit/(loss) before tax	<u>73</u>	<u>(130)</u>
Corporation tax at standard rate	14	(26)
Increase (decrease) in current tax from adjustment for prior periods	(43)	(41)
Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	8	9
Increase (decrease) from transfer pricing adjustments	123	136
Deferred tax expense (credit) from unrecognised temporary difference from a prior period	-	(5)
Deferred tax expense (credit) relating to changes in tax rates or laws	(1)	(9)
Other tax effects for reconciliation between accounting profit and tax expense (income)	<u>(26)</u>	<u>27</u>
Total tax charge	<u>75</u>	<u>91</u>

The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017. Accordingly, the company's profits for this accounting year are taxed at an effective rate of 19.25% (2016: 20%).

The main rate of corporation tax was reduced from 20% to 19% with effect from 1 April 2017 and from 19% to 17% with effect from 1 April 2020. These rate reductions were substantively enacted before the year end and as the directors consider the deferred tax balances are expected to largely reverse after 1 April 2020, the tax rate used for deferred tax at the year end is 17%.

Health & Care Services (UK) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2017 (continued)

8 Income tax (continued)

Deferred tax

Deferred tax assets and liabilities

	Liability £ 000
2017	
Accelerated tax depreciation	(134)
Pension benefit obligations	(21)
	<u>(155)</u>
2016	
Accelerated tax depreciation	(132)
Pension benefit obligations	(18)
	<u>(150)</u>

Deferred tax movement during the year:

	At 1 January 2017 £ 000	Recognised in income £ 000	Recognised in other income £ 000	At 31 December 2017 £ 000
Accelerated tax depreciation	(132)	(2)	-	(134)
Pension benefit obligations	(18)	-	(3)	(21)
Net tax assets/(liabilities)	<u>(150)</u>	<u>(2)</u>	<u>(3)</u>	<u>(155)</u>

Deferred tax movement during the prior year:

	At 1 January 2016 £ 000	Recognised in income £ 000	Recognised in other income £ 000	At 31 December 2016 £ 000
Accelerated tax depreciation	(139)	7	-	(132)
Pension benefit obligations	(34)	-	16	(18)
Net tax assets/(liabilities)	<u>(173)</u>	<u>7</u>	<u>16</u>	<u>(150)</u>

Deferred tax assets relating to deductible temporary differences are recognised if it is probable that they can be offset against future taxable profits or existing temporary differences. On the basis of the approved business plans, it is considered probable that the temporary differences can be offset against future taxable profits.

Health & Care Services (UK) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2017 (continued)

9 Tangible assets

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Motor vehicles £ 000	Properties under construction £ 000	Total £ 000
Cost or valuation					
At 1 January 2017	1,395	449	24	-	1,868
Additions	-	2	-	4	6
Disposals	-	(30)	-	-	(30)
At 31 December 2017	<u>1,395</u>	<u>421</u>	<u>24</u>	<u>4</u>	<u>1,844</u>
Depreciation					
At 1 January 2017	132	249	24	-	405
Charge for the year	16	37	-	-	53
Eliminated on disposal	-	(30)	-	-	(30)
At 31 December 2017	<u>148</u>	<u>256</u>	<u>24</u>	<u>-</u>	<u>428</u>
Carrying amount					
At 31 December 2017	<u>1,247</u>	<u>165</u>	<u>-</u>	<u>4</u>	<u>1,416</u>
At 31 December 2016	<u>1,263</u>	<u>200</u>	<u>-</u>	<u>-</u>	<u>1,463</u>

10 Trade and other debtors

	2017 £ 000	2016 £ 000
Trade debtors	60	47
Debtors from related parties	9,097	9,222
Accrued income	-	3
Prepayments	<u>2</u>	<u>-</u>
Total current trade and other debtors	<u>9,159</u>	<u>9,272</u>

Debtors from related parties are unsecured, non-interest bearing and repayable on demand.

11 Cash and cash equivalents

	2017 £ 000	2016 £ 000
Cash at bank	<u>2</u>	<u>1</u>

Health & Care Services (UK) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2017 (continued)

12 Creditors: amounts falling due within one year

	2017 £ 000	2016 £ 000
Accrued expenses	36	170
Social security and other taxes	9	11
Outstanding defined contribution pension costs	1	1
Other creditors	24	22
Income tax liability	73	98
	<u>143</u>	<u>302</u>

13 Share capital

Allotted, called up and fully paid shares

	No. 000	2017 £ 000	No. 000	2016 £ 000
Ordinary shares of £1 each	<u>601</u>	<u>601</u>	<u>601</u>	<u>601</u>

14 Pension and other schemes

Defined benefit pension schemes

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.

Contributions payable to the pension scheme at the end of the year are £Nil (2016 - £Nil).

The expected contributions to the plan for the next reporting period are £Nil.

The scheme was most recently valued on 10 November 2016. The valuation was carried out by Legal & General Assurance Society, independent consulting actuaries.

The surplus at 31 December 2017 and 31 December 2016 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.

Health & Care Services (UK) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2017 (continued)

14 Pension and other schemes (continued)

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	2017 £ 000	2016 £ 000
Fair value of scheme assets	1,577	1,594
Present value of scheme liabilities	(1,452)	(1,488)
Defined benefit pension scheme surplus	125	106

Scheme assets

Changes in the fair value of scheme assets are as follows:

	2017 £ 000	2016 £ 000
Actuarial gains and losses		
Fair value at start of year	1,594	1,558
Interest income	39	61
Employer contributions	-	28
Changes in secured pensioners value	(70)	23
Actuarial gains and losses	14	(76)
Fair value at end of year	1,577	1,594

Analysis of assets

The major categories of scheme assets are as follows:

	2017 £ 000	2016 £ 000
Cash and cash equivalents	14	7
UK equities	53	50
Overseas equities	90	81
Property	36	34
Annuity policies	1,245	1,282
Government bonds	23	28
Corporate bonds	116	112
	1,577	1,594

Actual return on scheme's assets

	2017 £ 000	2016 £ 000
Actual return on scheme assets	53	(15)

Health & Care Services (UK) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2017 (continued)

14 Pension and other schemes (continued)

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	2017 £ 000	2016 £ 000
Present value at start of year	1,488	1,371
Actuarial gains and losses arising from changes in demographic assumptions	(7)	4
Actuarial gains and losses arising from changes in financial assumptions	2	45
Actuarial gains and losses arising from experience adjustments	-	(32)
Change in secured pensioners value	(70)	47
Interest cost	39	53
Present value at end of year	1,452	1,488

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are as follows:

	2017 %	2016 %
Discount rate	2.45	2.60
Future pension increases	3.05	3.15
Inflation	3.10	3.25
Commutation of pension	75.00	75.00
Pension increase in deferment	2.10	2.25

Post retirement mortality assumptions

	2017 Years	2016 Years
Current UK pensioners at retirement age - male	25.60	25.90
Current UK pensioners at retirement age - female	27.60	28.20
Future UK pensioners at retirement age - male	26.90	27.70
Future UK pensioners at retirement age - female	29.00	30.00

Health & Care Services (UK) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2017 (continued)

14 Pension and other schemes (continued)

Amounts recognised in the income statement

	2017 £ 000	2016 £ 000
Amounts recognised in finance income or costs		
Net interest	-	(8)
Total recognised in the income statement	-	(8)

Amounts taken to the Statement of Comprehensive Income

	2017 £ 000	2016 £ 000
Actuarial gains and losses arising from changes in demographic assumptions	7	(4)
Actuarial gains and losses arising from changes in financial assumptions	(2)	(45)
Actuarial gains and losses arising from experience adjustments	-	32
Return on plan assets, excluding amounts included in interest income/(expense)	14	(76)
Amounts recognised in the Statement of Comprehensive Income	19	(93)

Sensitivity analysis

A sensitivity analysis for the principal assumptions used to measure scheme liabilities is set out below:

	+ 0.5%	2017 0.0%	- 0.5%
Adjustment to discount rate			
Present value of total obligation	(8)%	0%	9%
	+ 0.5%	2017 0.0%	- 0.5%
Adjustment to rate of inflation			
Present value of total obligation	8%	0%	(8)%
	+ 1 Year	2017 None	- 1 Year
Adjustment to mortality age rating assumption			
Present value of total obligation	3%	0%	(3)%

Health & Care Services (UK) Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2017 (continued)

15 Parent and ultimate parent undertaking

The company's immediate parent is Amore Care (Holdings) Limited.

The ultimate parent is Acadia Healthcare Company Inc..

The parent of the largest group in which these financial statements are consolidated is Acadia Healthcare Company Inc., incorporated in the United States of America. The address of Acadia Healthcare Company Inc. is 830 Crescent Centre Drive, Suite 610, Franklin, TN 37067, United States of America.

The parent of the smallest group in which these financial statements are consolidated is Priory Group UK 1 Limited (formerly Partnerships in Care UK 1 Limited) incorporated in the United Kingdom. The address of Priory Group UK 1 Limited (formerly Partnerships in Care UK 1 Limited) is Fifth Floor, 80 Hammersmith Road, London, W14 8UD, United Kingdom.