Parkcare Homes Limited

Annual report and financial statements

for the year ended 31 December 2013

Registered number: 2155276

Parkcare Homes Limited

Annual report and financial statements

for the year ended 31 December 2013

Contents

Parkcare Homes Limited

Strategic report for the year ended 31 December 2013

The directors present their strategic report on Parkcare Homes Limited for the year ended 31 December 2013.

Principal activity
The principal activity of the company is the delivery of care for those with a variety of learning difficulties and mental health issues, in both the care home setting and supported living environment.

Business review
The results for the year are set out in the profit and loss account on page 7 and the position of the company as at the year end is set out in the balance sheet on page 9.

The company is focussed on the healthcare 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 healthcare, 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 15.6% in 2012 to 11.0% in 2013, excluding operating exceptional items.

During the year, a charge of £10,566,000 (2012: £74,000) was recognised in respect of operating exceptional items as noted in note 2.

The company's management is committed to a continued growth strategy.

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, is 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 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.

Strategic report for the year ended 31 December 2013 (continued)

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 alighted 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.

By order of the board

Dre Hall

David Hall
Company Secretary
1 April 2014

80 Hammersmith Road
London
England
W14 8UD

Parkcare Homes Limited

Directors' report for the year ended 31 December 2013

The directors present their report and the audited financial statements of the company for the year ended 31 December 2013.

Dividends
The directors do not recommend the payment of a dividend (2012: £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:

Tom Riall	(appointed 5 April 2013)
Jason Lock	
Matthew Franzidis	
Christopher Thompson	(resigned 20 June 2013)

Changes in investments, intangible assets and tangible assets
The movements in investments, intangible assets and tangible assets during the year are set out in notes 6, 7 and 8 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 healthcare 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.

Going concern
The ultimate parent company, Priory Group No. 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.

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

Parkcare Homes Limited

Directors' report for the year ended 31 December 2013 (continued)

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.

Statement of directors' responsibilities
The directors are responsible for preparing the strategic report, 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 a 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
1 April 2014

80 Hammersmith Road
London
England
W14 8UD

Independent auditors' report to the members of Parkcare Homes Limited

Report on the financial statements

Our opinion
In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited
The financial statements, which are prepared by Parkcare Homes Limited, comprise:

- the profit and loss account for the year ended 31 December 2013;
- the note of historical cost profits and losses for the year then ended;
- the balance sheet as at 31 December 2013; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent auditors' report to the members of Parkcare Homes Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

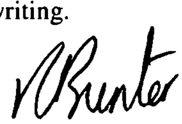
Directors' remuneration
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors
As explained more fully in the directors' responsibilities statement set out on page 4, 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 ISAs (UK & 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.



Richard Bunter (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle Upon Tyne
1 April 2014

Parkcare Homes Limited

Profit and loss account for the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Turnover	1	**25,079**	26,506
Cost of sales		**(21,681)**	(21,722)
Gross profit		**3,398**	4,784
Administrative expenses (including operating exceptional costs of £10,566,000; 2012: £74,000)		**(11,197)**	(727)
Operating (loss)/profit		**(7,799)**	4,057
Loss on disposal of assets held for sale and fixed assets		**(1,617)**	(837)
(Loss)/profit on ordinary activities before taxation and interest		**(9,416)**	3,220
Interest payable and similar charges		**(12)**	(4)
(Loss)/profit on ordinary activities before taxation	2	**(9,428)**	3,216
Tax charge on (loss)/profit on ordinary activities	5	**(5)**	(31)
(Loss)/profit for the financial year	15	**(9,433)**	3,185

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

The company has no recognised gains or losses other than those included in the results above and therefore no separate statement of recognised gains and losses is presented.

Parkcare Homes Limited

Note of historical cost profits and losses for the year ended 31 December 2013

	2013	2012
	£'000	£'000
Reported (loss)/profit on ordinary activities before taxation	**(9,428)**	3,216
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	**96**	95
Historical cost (loss)/profit for the year before taxation	**(9,332)**	3,311
Historical cost (loss)/profit for the financial year	**(9,337)**	3,280

Parkcare Homes Limited

Balance sheet as at 31 December 2013

	Note	**2013**	2012
		£'000	£'000
Fixed assets			
Investments	6	**40**	40
Intangible assets	7	**184**	210
Tangible assets	8	**38,839**	48,756
		39,063	49,006
Current assets			
Stocks		**32**	36
Debtors	9	**15,665**	15,617
Cash at bank and in hand		**31**	35
Assets held for sale	10	**3,991**	4,221
		19,719	19,909
Creditors: amounts falling due within one year	11	**(24,009)**	(26,849)
Net current liabilities		**(4,290)**	(6,940)
Total assets less current liabilities		**34,773**	42,066
Creditors: amounts falling due after more than one year	12	**(92)**	(57)
Provisions for liabilities	13	**(2,455)**	(350)
Net assets		**32,226**	41,659
Capital and reserves			
Called up share capital	14	**4,772**	4,772
Share premium account	15	**2,305**	2,305
Revaluation reserve	15	**3,053**	6,732
Profit and loss account	15	**22,096**	27,850
Total shareholders' funds	16	**32,226**	41,659

The financial statements on pages 7 to 25 were approved by the board of directors on 1 April 2014 and were signed on its behalf by:

JO Lock

Jason Lock
Director

Registered number: 2155276

Parkcare Homes 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 in accordance with applicable UK accounting standards and UK company law and under the historical cost convention, as modified by the revaluation of certain tangible assets.

The ultimate parent company, Priory Group No. 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.

The company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group financial statements on the grounds that it is included in the consolidated financial statements of a parent undertaking. These financial statements present information about the company as an individual undertaking and not about its group.

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.

Goodwill
Goodwill relating to acquisitions of businesses, which represents the excess of the fair value of the consideration paid over the fair value of the assets and liabilities acquired, is capitalised in the balance sheet in the year of acquisition and amortised over a period not exceeding 20 years, being the period expected to benefit.

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.

Assets in the course of construction represent the direct costs of purchasing, constructing and installing tangible fixed assets ahead of their productive use. No depreciation is provided on an asset that is in the course of construction until it is completed and transferred to an asset heading that is appropriate.

Statement of accounting policies (continued)

Tangible assets and depreciation (continued)
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
Long leasehold land and buildings	-	over 50 years
Short leasehold land and buildings	-	over the lease term
Furniture and fittings	-	over 3, 5 or 10 years
Motor vehicles	-	over 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.

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.

Asset impairment
Goodwill and tangible assets are 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. Goodwill is also subject to an impairment review at the end of the first full year following an acquisition.

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.

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 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.

Assets held for sale
Tangible fixed assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale and expect the sale to complete within one year from the date of classification or the reporting date. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Stocks
Stocks comprise primarily medical drugs and catering supplies and is stated at the lower of cost and net realisable value.

Notes to the financial statements for the year ended 31 December 2013

1 Turnover

The company's turnover, (loss)/profit on ordinary activities before taxation and net assets arise primarily from its principal activity of the delivery of care for those with a variety of learning difficulties and mental health issues.

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/(crediting):

	2013	2012
	£'000	£'000
Depreciation of tangible assets:		
Owned	**1,504**	1,629
Leased	**55**	27
Amortisation of goodwill	**26**	26
Operating lease rentals – other	**60**	60
Loss on disposal of assets held for sale and fixed assets	**1,617**	837
Operating exceptional items:		
Re-organisation and rationalisation costs	**232**	74
Onerous lease charges (note 13)	**2,241**	-
Release of dilapidations provision (note 13)	**(300)**	-
Impairment of assets held for sale (note 10)	**550**	-
Impairment of tangible assets (note 8)	**7,843**	-

The re-organisation and rationalisation costs of £232,000 (2012: £74,000) incurred in the year primarily relate to employee redundancy payments made as the company re-organised and streamlined its operations.

Impairment of tangible assets and assets held for sale and onerous lease charges relate to properties and associated assets that the company has identified as being extraneous to its ongoing operations and consequently written down to their net recoverable value through disposal.

The remuneration of the auditors of £5,000 (2012: £5,000) was borne by another group undertaking.

Notes to the financial statements for the year ended 31 December 2013 (continued)

3 Remuneration of directors

The costs relating to the directors' services have been borne by Priory Central Services Limited, a fellow group company. No amounts have been recharged to the company in respect of the directors' services and the directors do not believe that it is practical to allocate these costs between group companies.

4 Staff numbers and costs

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

	2013	2012
	Number	Number
Analysis by activity:		
Nursing	**917**	941
Ancillary	**216**	226
Administrative	**52**	55
	1,185	1,222

The aggregate payroll costs of these persons were as follows:

	2013	2012
	£'000	£'000
Wages and salaries	**14,121**	14,461
Social security costs	**932**	983
Other pension costs (note 19)	**49**	2
	15,102	15,446

Notes to the financial statements for the year ended 31 December 2013 (continued)

5 Tax on (loss)/profit on ordinary activities

	2013	2012
	£'000	£'000
UK corporation tax:		
Current tax (credit)/charge arising in the year	(425)	532
Current tax adjustment in respect of prior years	(543)	(105)
Total current tax (credit)/charge	**(968)**	427
Deferred tax:		
Deferred tax charge arising in the year	401	20
Deferred tax adjustment in respect of prior years	536	(416)
Effect of tax rate change on opening balance	36	-
Total deferred tax charge/(credit)	**973**	(396)
Total tax charge	**5**	31

The current tax credit of £968,000 (2012: £427,000 charge) on losses for the year has been surrendered against the profits of 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 23.25% (2012: 24.49%). The actual tax credit for the year is lower (2012: charge, lower) than the standard rate for the reasons set out in the following reconciliation:

	2013	2012
	£'000	£'000
(Loss)/profit on ordinary activities before taxation	(9,428)	3,216
Tax on (loss)/profit on ordinary activities at standard rate	(2,192)	788
Factors affecting credit/charge for the year:		
Expenses not deductible for tax purposes	1,951	6
Depreciation on non qualifying assets	490	317
Capital allowances for the year (in excess of)/less than depreciation	(466)	49
Transfer pricing adjustments	(208)	(628)
Adjustments in respect of prior years	(543)	(105)
Total current tax (credit)/charge for the year	**(968)**	427

Notes to the financial statements for the year ended 31 December 2013 (continued)

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

The standard rate of corporation tax in the UK changed from 24% to 23% with effect from 1 April 2013. Accordingly, the company's losses for this accounting year are taxed at an effective rate of 23.25% (2012: 24.49%).

In his budget speech on 20 March 2013, the Chancellor announced that the main rate of corporation tax would change from 23% to 21% from 1 April 2014 and from 21% to 20% from 1 April 2015. This change was substantively enacted in July 2013, as such the company's deferred tax balances have been restated to reflect their expected unwind at 20% rather than the main rate of 23%.

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 20% is £763,000 (2012: £92,000 at 23%).

6 Investments

	Shares in group undertakings £'000
Cost and net book value	
At 1 January 2013 and 31 December 2013	**40**

The subsidiary undertaking in which the company's direct interest at the year end is more than 20% is:

Subsidiary undertaking	Principal activities	Country of incorporation	Class and percentage of shares held
Speciality Care (Rest Care) Limited	Dormant	United Kingdom	100% ordinary £1 shares

The directors consider that the carrying value of the investment is supported by its underlying net assets.

Notes to the financial statements for the year ended 31 December 2013 (continued)

7 Intangible assets

	Goodwill
	£'000
Cost	
At 1 January 2013 and 31 December 2013	**526**
Accumulated amortisation	
At 1 January 2013	316
Charge for the year	26
At 31 December 2013	**342**
Net book amount	
At 31 December 2013	**184**
At 31 December 2012	210

Notes to the financial statements for the year ended 31 December 2013 (continued)

8 Tangible assets

	Long leasehold land and buildings	Freehold land and buildings	Assets in the course of construction	Fixtures and fittings	Motor Vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 January 2013	10,798	47,230	82	14,567	117	72,794
Additions	11	868	841	1,526	151	3,397
Transfers between classifications	-	-	(106)	106	-	-
Transfers to group companies	-	(1,733)	-	(678)	(26)	(2,437)
Transfers to current assets (note 10)	-	(2,017)	-	(1,768)	-	(3,785)
At 31 December 2013	**10,809**	**44,348**	**817**	**13,753**	**242**	**69,969**
Accumulated depreciation						
At 1 January 2013	4,186	10,608	-	9,220	24	24,038
Charge for the year	150	372	-	982	55	1,559
Transfers between classifications	(2,468)	2,468	-	-	-	-
Transfers to group companies	-	(215)	-	(188)	(5)	(408)
Impairment	7,580	-	-	263	-	7,843
Transfers to current assets (note 10)	-	(525)	-	(1,377)	-	(1,902)
At 31 December 2013	**9,448**	**12,708**	-	**8,900**	**74**	**31,130**
Net book amount						
At 31 December 2013	**1,361**	**31,640**	**817**	**4,853**	**168**	**38,839**
At 31 December 2012	6,612	36,622	82	5,347	93	48,756

Notes to the financial statements for the year ended 31 December 2013 (continued)

8 Tangible assets (continued)

The Craegmoor group was acquired by the Priory group on 14 April 2011. On this date the land and buildings were valued by Knight Frank on the basis of existing use value 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 revalued every five years, the next valuation being 14 April 2016, together with interim revaluations every three years.

The net book value of assets held under finance leases is £168,000 (2012: £93,000) for motor vehicles. If land and buildings had not been revalued they would have been included at the following amounts (including amounts held in assets for sale):

	2013	2012
	£'000	£'000
Cost	**41,135**	51,254
Aggregate depreciation	**(8,109)**	(12,029)
Net book value	**33,026**	39,225

9 Debtors

	2013	2012
	£'000	£'000
Trade debtors	**633**	765
Amounts owed by group undertakings	**13,937**	13,937
Deferred tax asset	**-**	809
Group relief recoverable	**968**	-
Prepayments and accrued income	**127**	106
	15,665	15,617

Amounts due from group undertakings are unsecured, non-interest bearing and repayable on demand.

Notes to the financial statements for the year ended 31 December 2013 (continued)

10 Assets held for sale

	Freehold land and buildings £'000	Fixtures and fittings £'000	Total £'000
Cost			
At 1 January 2013	13,950	3,383	17,333
Additions	2	155	157
Disposals	(10,335)	(2,415)	(12,750)
Transfer from tangible assets (note 8)	2,017	1,768	3,785
At 31 December 2013	**5,634**	**2,891**	**8,525**
Accumulated depreciation			
At 1 January 2013	10,795	2,317	13,112
Impairment	550	-	550
Disposals	(9,314)	(1,716)	(11,030)
Transfer from tangible assets (note 8)	525	1,377	1,902
At 31 December 2013	**2,556**	**1,978**	**4,534**
Net book value			
At 31 December 2013	**3,078**	**913**	**3,991**
At 31 December 2012	3,155	1,066	4,221

Assets held for sale relates to three (2012: five) properties which are being actively marketed for sale.

Notes to the financial statements for the year ended 31 December 2013 (continued)

11 Creditors: amounts falling due within one year

	2013	2012
	£'000	£'000
Amounts owed to group undertakings	**21,293**	23,858
Group relief payable	**-**	427
Other creditors	**394**	103
Taxation and social security	**257**	299
Accruals and deferred income	**2,020**	2,138
Obligations under finance lease contracts (note 12)	**45**	24
	24,009	26,849

Amounts due to group undertakings are unsecured, non-interest bearing and repayable on demand.

12 Creditors: amounts falling due after more than one year

	2013	2012
	£'000	£'000
Obligations under finance lease contracts	**92**	57

Obligations under finance lease contracts are payable as follows:

	2013	2012
	£'000	£'000
Within one year	**45**	24
In more than one year but not more than five years	**92**	57
	137	81

Notes to the financial statements for the year ended 31 December 2013 (continued)

13 Provisions for liabilities

	Deferred taxation	Onerous contracts	Dilapidations	Total
	£'000	£'000	£'000	£'000
At 1 January 2013	-	-	350	350
Charge for the year	973	2,241	-	3,214
Transfer from debtors (note 9)	(809)	-	-	(809)
Release of provision on sale of property	-	-	(300)	(300)
At 31 December 2013	**164**	**2,241**	**50**	**2,455**

Provisions have been recorded for costs of returning properties held under operating leases to the state of repair at the inception of the lease. These provisions are expected to be utilised on the termination of the underlying leases.

During the year provisions have been recorded on certain lease arrangements. They have been established on the basis of the expected onerous element of future lease payments over the remaining life of the relevant leases and agreements. These have been discounted and the provisions are expected to be utilised, with the discounts unwinding accordingly over the remaining terms of the corresponding lease arrangements.

An analysis of deferred tax liabilities and assets included within provisions (2012: debtors) is as follows:

	2013	2012
	£'000	£'000
Accelerated capital allowances	**247**	(700)
Short term timing differences	**(70)**	(109)
Tax losses carried forward	**(13)**	-
	164	(809)

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 20% is £763,000 (2012: £92,000 at 23%).

Notes to the financial statements
for the year ended 31 December 2013 (continued)

14 Called up share capital

	2013	2012
	£'000	£'000
Authorised		
4,800,000 (2012: 4,800,000) ordinary shares of £1 each	**4,800**	4,800
Issued and fully paid		
4,772,000 (2012: 4,772,000) ordinary shares of £1 each	**4,772**	4,772

15 Reserves

	Share premium account	Revaluation reserve	Profit and loss account
	£'000	£'000	£'000
At 1 January 2013	2,305	6,732	27,850
Loss for the financial year	-	-	(9,433)
Transfer to profit and loss account	-	(96)	96
Reserve transferred on group re-organised properties	-	(241)	241
Transfer on disposal of previously revalued properties	-	(742)	742
Impairment of previously revalued properties	-	(2,600)	2,600
At 31 December 2013	**2,305**	**3,053**	**22,096**

Transfer to profit and loss account relates to the difference between historic cost depreciation and the depreciation on revalued assets.

Notes to the financial statements for the year ended 31 December 2013 (continued)

16 Reconciliation of movements in shareholders' funds

	2013	2012
	£'000	£'000
(Loss)/profit for the financial year	**(9,433)**	3,185
Net (decrease)/increase in shareholders' funds	**(9,433)**	3,185
Opening shareholders' funds	**41,659**	38,474
Closing shareholders' funds	**32,226**	41,659

17 Contingent liabilities

On 31 December 2013, borrowings of a fellow group undertaking were secured by fixed and floating charges over all the assets of the company.

18 Commitments

Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	2013	2012
	£'000	£'000
Contracted	**170**	295

Notes to the financial statements for the year ended 31 December 2013 (continued)

18 Commitments (continued)

At 31 December 2013 the company had annual commitments for land and buildings under non-cancellable operating leases as follows:

	2013	2012
	£'000	£'000
Operating leases which expires:		
Within one year	**4**	-
In over five years	**176**	61
	180	61

19 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the fund and amounted to £49,000 (2012: £2,000).

As at 31 December 2013, there were outstanding contributions of £12,000 (2012: £nil).

20 Ultimate parent company and controlling party

The company's immediate parent company which is incorporated in the United Kingdom is Craegmoor Older People Care (Holdings) Limited.

The ultimate parent undertaking and controlling party is Priory Group No. 1 Limited. 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 2013. Priory Group No. 3 PLC is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2013. 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.