

**Craegmoor Hospitals Limited**  
**Annual report and financial statements**  
**for the year ended 31 December 2012**

**Registered number: 2989725**

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Craegmoor Hospitals Limited

Annual report and financial statements

for the year ended 31 December 2012

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# **Craegmoor Hospitals 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**

The principal activity of the company is the delivery of in-patient care for those with learning disabilities and past or present mental health issues

### **Business review**

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 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 increased from 19.3% in 2011 to 26.2% in 2012.

On 14 April 2011, the entire share capital of Craegmoor Group Limited, the company's former ultimate parent company, was acquired by Priory Group No. 1 Limited. Subsequently the shares were transferred to Priory Investments Holdings Limited, a subsidiary undertaking of Priory Group No. 1 Limited.

The land and buildings were valued by Knight Frank as part of the acquisition. These valuations have been reflected in the company accounts on the basis of existing value in use.

A group reorganisation was performed as at 31 December 2011 resulting in land and buildings and their associated fixtures and fittings being transferred between group companies at their market value. The purpose of the reorganisation was to rationalise the operating divisions between the group companies.

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.

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.

# **Craegmoor Hospitals Limited**

## **Directors' report for the year ended 31 December 2012 (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.

### **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	

### **Changes in investments and tangible assets**

The movements in investments and tangible assets during the year are set out in notes 6 and 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 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. In addition, employees are encouraged to participate in the performance of the Group through share ownership by the Employee Incentive Trust.

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.

# Craegmoor Hospitals Limited

## Directors' report for the year ended 31 December 2012 (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 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,
- 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*

David Hall  
Company Secretary  
27 March 2013

21 Exhibition House  
Addison Bridge Place  
London  
England  
W14 8XP

# **Craegmoor Hospitals Limited**

## **Independent auditors' report to the members of Craegmoor Hospitals Limited**

We have audited the financial statements of Craegmoor Hospitals 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 profit 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 profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

# **Craegmoor Hospitals Limited**

## **Independent auditors' report to the members of Craegmoor Hospitals 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

27 March 2013

# Craegmoor Hospitals Limited

## Profit and loss account for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
<b>Turnover</b>	1	<b>12,048</b>	10,265
Cost of Sales		(8,392)	-
<b>Gross Profit</b>		<b>3,656</b>	10,265
Administrative expenses (including operating exceptional costs of £49,000, 2011 £nil)		(496)	(8,279)
<b>Operating Profit</b>		<b>3,160</b>	1,986
Profit on disposal of fixed assets	2	305	-
<b>Profit on ordinary activities before interest and tax</b>		<b>3,465</b>	1,986
Interest payable and similar charges		(9)	(2)
<b>Profit on ordinary activities before tax</b>	2	<b>3,456</b>	1,984
Tax on profit on ordinary activities	5	(921)	(1,093)
<b>Profit for the financial year</b>	13	<b>2,535</b>	891

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



## **Craegmoor Hospitals Limited**

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

		<b>2012</b>	<b>2011</b>
	<b>Note</b>	<b>£'000</b>	<b>£'000</b>
Profit for the financial year		<b>2,535</b>	<b>891</b>
Reversal of prior years' revaluations on impaired properties	<b>7</b>	<b>-</b>	<b>(12,684)</b>
<b>Total recognised gains and losses for the financial year</b>		<b>2,535</b>	<b>(11,793)</b>

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

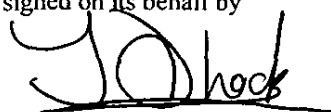
	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Reported profit on ordinary activities before taxation	<b>3,456</b>	<b>1,984</b>
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	<b>269</b>	<b>500</b>
<b>Historical cost profit for the year before taxation</b>	<b>3,725</b>	<b>2,484</b>
<b>Historical cost profit for the financial year</b>	<b>2,804</b>	<b>1,391</b>

# Craegmoor Hospitals Limited

## Balance sheet as at 31 December 2012

	Note	2012 £'000	2011 £'000
<b>Fixed assets</b>			
Investments	6	11,682	11,682
Tangible assets	7	37,321	36,215
		<b>49,003</b>	<b>47,897</b>
<b>Current assets</b>			
Debtors	8	788	2,091
Cash at bank and in hand		14	14
		<b>802</b>	<b>2,105</b>
<b>Creditors: amounts falling due within one year</b>	9	<b>(2,239)</b>	<b>(1,436)</b>
<b>Net current (liabilities)/assets</b>		<b>(1,437)</b>	<b>669</b>
<b>Total assets less current liabilities</b>		<b>47,566</b>	<b>48,566</b>
<b>Creditors: amounts falling due after more than one year</b>	10	<b>(2,485)</b>	<b>(6,020)</b>
<b>Provision for liabilities</b>	11	<b>(13)</b>	<b>(13)</b>
<b>Net assets</b>		<b>45,068</b>	<b>42,533</b>
<b>Capital and reserves</b>			
Called up share capital	12	50	50
Revaluation reserve	13	16,233	16,675
Profit and loss account	13	28,785	25,808
<b>Total shareholders' funds</b>	14	<b>45,068</b>	<b>42,533</b>

The financial statements on pages 6 to 24 were approved by the board of directors on 27 March 2013 and were signed on its behalf by



Jason Lock  
Director

Registered number 2989725

# **Craegmoor Hospitals 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 and UK company law and under the historical cost convention, as modified by the revaluation of certain tangible assets

In the prior year Craegmoor Hospitals 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 and recharged as a management charge in the year

The company is exempt by virtue of section 401 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

### **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.

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
Short leasehold land and buildings	- over the lease term
Building improvements	- over 10 years
Equipment	- over 7 years

# **Craegmoor Hospitals Limited**

## **Statement of accounting policies (continued)**

### **Tangible assets and depreciation (continued)**

Furniture and fittings	- over 3, 5 or 10 years
Computer equipment	- over 3 or 5
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**

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.

### **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.

### **Post-retirement benefits**

The company operates a defined contribution pension scheme. Defined contribution pension costs are charged to the profit and loss account as they become payable by the group. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

### **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.

# **Craegmoor Hospitals Limited**

## **Statement of accounting policies (continued)**

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 taxation (continued)**

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

# Craegmoor Hospitals Limited

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

### 1 Turnover

The company's turnover, profit on ordinary activities before taxation and net assets arise primarily from its principal activity of the delivery of in-patient care for those with learning difficulties and past or present mental health issues

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

### 2 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	2012	2011
	£'000	£'000
Depreciation and other amounts written off tangible assets		
Owned	624	576
Leased	32	-
Loss on revaluation of tangible assets	-	2,014
Operating lease rentals – other	57	50
Operating exceptional items		
Reorganisation and rationalisation costs	49	-
Profit on disposal of fixed assets	305	-
Management charges from fellow subsidiary	447	5,642

The reorganisation and rationalisation costs of £49,000 (2011 £nil) incurred in the year primarily relate to employee redundancy payments made as the company re-organised and streamlined its operations

The prior year management charge from fellow subsidiary undertaking, Craegmoor Facilities Company Limited, relates to an allocation of operating costs incurred on behalf of the company and its fellow subsidiaries

The remuneration of the auditors of £5,000 (2011 £5,000) was borne by another group undertaking

# **Craegmoor Hospitals Limited**

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

### **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.

### **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:

	<b>2012</b>	<b>2011</b>
	<b>Number</b>	<b>Number</b>
Analysis by activity		
Nursing	<b>262</b>	289
Ancillary	<b>30</b>	30
Administrative	<b>17</b>	17
	<b>309</b>	336

The aggregate payroll costs of these persons were as follows:

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	<b>5,860</b>	-
Social security costs	<b>371</b>	-
Pension costs (note 17)	<b>7</b>	-
Management charges in lieu of staff costs	-	4,449
	<b>6,238</b>	4,449

# Craegmoor Hospitals Limited

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

### 5 Tax on profit on ordinary activities

	2012	2011
	£'000	£'000
UK corporation tax		
Current tax charge arising in the year	941	1,321
Adjustments in respect of prior periods	(15)	-
<b>Total current tax</b>	<b>926</b>	<b>1,321</b>
Deferred tax		
Origination and reversal of timing differences	(23)	(228)
Effect of tax rate change on opening balances	18	-
<b>Total deferred tax</b>	<b>(5)</b>	<b>(228)</b>
<b>Total tax charge</b>	<b>921</b>	<b>1,093</b>

The current tax charge of £926,000 (2011 £1,321,000) on profits for the year has been relieved by the surrender of losses by other group companies in exchange for payment of the same amount



# Craegmoor Hospitals Limited

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

### 5 Tax on profit on ordinary activities (continued)

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
Profit on ordinary activities before taxation	3,456	1,984
Tax on profit on ordinary activities at standard rate	846	526
Factors affecting charge for the year		
Expenses not deductible for tax purposes	-	533
Depreciation non-qualifying assets	31	139
Capital allowances for the year less than depreciation	24	7
Short term timing differences	2	-
Transfer pricing adjustments and balancing payment	38	116
Adjustments in respect of prior periods	(15)	-
<b>Total current tax charge for the year</b>	<b>926</b>	<b>1,321</b>

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. Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 24.49% and deferred taxation has been calculated based on a rate of 23%.

Further reduction to the main rate is proposed to reduce the rate by 2% to 21% by 1 April 2014. This further change has not been substantively enacted at the balance sheet date and, therefore, is not included in these financial statements.

The overall effect of the further change from 23% to 21%, if these applied to the deferred tax balance at the balance sheet date, would be immaterial.

# Craegmoor Hospitals Limited

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

### 5 Tax on profit on ordinary activities (continued)

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 £4,564,000 (2011: £6,039,000 at 25%).

### 6 Investments

	Shares in subsidiary undertakings £'000
Cost and net book value	
At 1 January 2012 and 31 December 2012	11,682

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

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

# Craegmoor Hospitals Limited

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

### 7 Tangible assets

	Short leasehold land and buildings £'000	Freehold land and buildings £'000	Assets under Construction £'000	Furniture and fittings £'000	Motor Vehicles £'000	Total £'000
<b>Cost or valuation</b>						
At 1 January 2012	1,624	54,719	-	3,238	-	59,581
Additions	-	910	10	957	123	2,000
Disposals	-	(7,972)	-	(173)	-	(8,145)
Transfers between classifications	-	-	-	(78)	78	-
<b>At 31 December 2012</b>	<b>1,624</b>	<b>47,657</b>	<b>10</b>	<b>3,944</b>	<b>201</b>	<b>53,436</b>
<b>Accumulated depreciation</b>						
At 1 January 2012	952	20,098	-	2,316	-	23,366
Charge for the year	64	355	-	205	32	656
Disposals	-	(7,741)	-	(166)	-	(7,907)
Transfers between classifications	-	-	-	(4)	4	-
<b>At 31 December 2012</b>	<b>1,016</b>	<b>12,712</b>	<b>-</b>	<b>2,351</b>	<b>36</b>	<b>16,115</b>
<b>Net book amount</b>						
<b>At 31 December 2012</b>	<b>608</b>	<b>34,945</b>	<b>10</b>	<b>1,593</b>	<b>165</b>	<b>37,321</b>
At 31 December 2011	672	34,621	-	922	-	36,215

The net book value of assets held under finance leases is £165,000 (2011 £74,000) for motor vehicles

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 value in use in accordance with the appraisal and valuation manual of the Royal Institution of Chartered Surveyors.

The fixture and fittings at certain sites have been impaired as part of the valuation exercise performed on 14 April 2011.

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.

# Craegmoor Hospitals Limited

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

### 7 Tangible assets (continued)

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

	2012	2011
	£'000	£'000
Gain on revaluation credited to revaluation reserve	-	1,288
Loss on revaluation/Impairment		
Charged to revaluation reserve	-	(13,972)
Charged to profit and loss account	-	(2,014)
	-	(14,698)
Included in the statement of total recognised gains and losses (net)	-	(12,684)
Included in the profit and loss account	-	(2,014)
	-	(14,698)

If land and buildings had not been re-valued they would have been included at the following amounts

	2012	2011
	£'000	£'000
Cost	20,790	19,581
Aggregate depreciation	(1,470)	(963)
Net book value	19,320	18,618

# Craegmoor Hospitals Limited

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

### 8 Debtors

	2012	2011
	£'000	£'000
Trade debtors	507	280
Amounts owed by group undertakings	-	1,550
Prepayments and accrued income	48	-
Other debtors	-	33
Deferred tax	233	228
	<b>788</b>	<b>2,091</b>

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

	£'000
Deferred tax	
At 1 January 2012	228
Credit for the year	5
<b>At 31 December 2012</b>	<b>233</b>

Deferred tax arises on the following timing differences

	2012	2011
	£'000	£'000
Accelerated capital allowances	224	218
Short term timing differences	9	10
	<b>233</b>	<b>228</b>

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 £4,564,000 (2011 £6,039,000 at 25%)

# Craegmoor Hospitals 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	926	1,321
Obligations under finance lease contracts (note 10)	44	37
Taxation and Social Security	129	-
Accruals and deferred income	1,091	78
Other Creditors	49	-
	<b>2,239</b>	<b>1,436</b>

### 10 Creditors: amounts falling due after more than one year

	2012	2011
	£'000	£'000
Amounts owed to group undertakings	2,384	5,986
Obligations under finance lease contracts	101	34
	<b>2,485</b>	<b>6,020</b>

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 are payable as follows

	2012	2011
	£'000	£'000
Within one year	44	37
In more than one year but not more than five years	101	34
	<b>145</b>	<b>71</b>

# Craegmoor Hospitals Limited

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

### 11 Provisions for liabilities

<b>Dilapidations</b>	<b>£'000</b>
At 1 January 2012	13
Charged for the year	-
<b>At 31 December 2012</b>	<b>13</b>

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.

### 12 Called up share capital

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
<b>Authorised</b>		
500,000 (2011: 500,000) ordinary shares of £1 each	500	500
<b>Issued and fully paid</b>		
50,000 (2011: 50,000) ordinary shares of £1 each	50	50

# Craegmoor Hospitals Limited

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

### 13 Reserves

	Revaluation reserve £'000	Profit and loss account £'000
At 1 January 2012	16,675	25,808
Profit for the financial year	-	2,535
Transfer to profit and loss account	(269)	269
Transfer on disposal of previously revalued properties	(173)	173
<b>At 31 December 2012</b>	<b>16,233</b>	<b>28,785</b>

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

### 14 Reconciliation of movements in shareholders' funds

	2012 £'000	2011 £'000
Profit for the financial year	2,535	891
Reversal of prior years' revaluations on impaired properties	-	(12,684)
<b>Net addition/(reduction) to shareholders' funds</b>	<b>2,535</b>	<b>(11,793)</b>
Opening shareholders' funds	42,533	54,326
<b>Closing shareholders' funds</b>	<b>45,068</b>	<b>42,533</b>

### 15 Contingent liabilities

At 31 December 2012, borrowings of a fellow group undertaking were secured by fixed and floating charges over all the assets of the company



# Craegmoor Hospitals Limited

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

### 16 Commitments

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

	2012	2011
	£'000	£'000
Contracted	336	165

Annual commitments under non-cancellable operating leases are as follows

	Land and buildings	2012 Other	Land and buildings	2011 Other
	£'000	£'000	£'000	£'000
Operating leases which expire				
In the second to fifth years inclusive	27	5	27	2
In over five years	27	-	23	-
	54	5	50	2

### 17 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 £7,000 (2011: £nil).

As at 31 December 2012, there were outstanding contributions of £2,000 (2011: £nil).

# **Craegmoor Hospitals Limited**

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

### **18 Ultimate parent company and controlling party**

The company's immediate parent company, which is incorporated in the United Kingdom, is Craegmoor Hospital (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 21 Exhibition House, Addison Bridge Place, London, W14 8XP.