

Health & Care Services (NW) Limited  
Annual report and financial statements  
for the year ended 31 December 2011

Registered number: 2847005



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for the year ended 31 December 2011  
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# **Health & Care Services (NW) Limited**

## **Directors' report for the year ended 31 December 2011**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2011

### **Principal activities**

The principal activity of the company continues to be care delivery

### **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 elderly care sector and the performance of the company can be impacted by external factors. The principal factors are changes in the UK government's policy towards funding of elderly care, changes in the regulatory regime and competitive threats from other independent providers. Management uses a range of financial and non-financial indicators to manage the business. These are derived from all areas of the business and include sales growth by unit, occupancy and profit margins achieved. Operating profit margins have decreased from (0.5)% in 2010 to (7.9)% in 2011.

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 of Craegmoor Group Limited were transferred to Priory Investments Holdings Limited, a subsidiary undertaking of Priory Group No. 1 Limited.

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

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 the group and not managed separately. Accordingly, the financial risk management policies of Priory Group No. 1 Limited, which include those of the company, are discussed in the group's annual report which does not form part of this report.

# Health & Care Services (NW) Limited

## 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 (2010 £nil)

## 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.

## 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:

Ted Smith	(Resigned 14 April 2011)
Christine Cameron	(Resigned 14 April 2011)
David Manson	(Resigned 30 April 2011)
Julian Ball	(Resigned 14 April 2011)
Avril Evans	(Resigned 31 July 2011)
Philip Scott	(Appointed 14 April 2011)
Jason Lock	(Appointed 14 April 2011)
Matthew Franzidis	(Appointed 14 April 2011)
Christopher Thompson	(Appointed 26 July 2011)

## Employees

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

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

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

## Independent auditors

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

# Health & Care Services (NW) Limited

## 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

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  
6 September 2012

21 Exhibition House  
Addison Bridge Place  
London  
W14 8XP

## **Health & Care Services (NW) Limited**

### **Independent auditors' report to the members of Health & Care Services (NW) Limited**

We have audited the financial statements of Health & Care Services (NW) Limited for the year ended 31 December 2011 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 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

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

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

## Health & Care Services (NW) Limited

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Richard Bunter (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Newcastle upon Tyne  
6 September 2012

## **Health & Care Services (NW) Limited**

### **Profit and loss account for the year ended 31 December 2011**

	Note	2011 £'000	2010 £'000
Turnover	1	1,629	1,512
Administrative expenses		(1,759)	(1,520)
<b>Operating loss</b>		<b>(128)</b>	<b>(8)</b>
Loss on ordinary activities before taxation	2	(128)	(8)
Tax on loss on ordinary activities	5	76	(8)
<b>Loss for the financial year</b>	11	<b>(52)</b>	<b>(16)</b>

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



## **Health & Care Services (NW) Limited**

### **Statement of total recognised gains and losses for the year ended 31 December 2011**

	Note	2011 £'000	2010 £'000
Loss for the financial year		(52)	(16)
Gain on revaluation	6	873	-
<b>Total recognised gains and losses for the year</b>		<b>821</b>	<b>(16)</b>

### **Note of historical cost profits and losses for the year ended 31 December 2011**

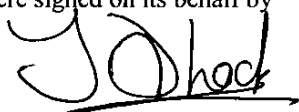
	2011 £'000	2010 £'000
Reported loss on ordinary activities before taxation	(128)	(8)
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	14	17
<b>Historical cost (loss)/profit for the year before taxation</b>	<b>(114)</b>	<b>9</b>
<b>Historical cost (loss)/profit for the financial year</b>	<b>(38)</b>	<b>1</b>

## Health & Care Services (NW) Limited

### Balance sheet as at 31 December 2011

	Note	2011 £'000	2010 £'000
<b>Fixed assets</b>			
Tangible assets	6	2,218	1,384
<b>Current assets</b>			
Debtors	7	56	-
Cash at bank and in hand		2	-
		58	-
<b>Creditors: amounts falling due within one year</b>	8	(1,592)	(1,491)
<b>Net current liabilities</b>		(1,534)	(1,491)
<b>Total assets less current liabilities</b>		684	(107)
<b>Provision for liabilities and charges</b>	9	(14)	(44)
<b>Net assets/(liabilities)</b>		670	(151)
<b>Capital and reserves</b>			
Called up share capital	10	-	-
Revaluation reserve	11	1,296	816
Profit and loss account	11	(626)	(967)
<b>Total shareholders' funds/(deficit)</b>	12	670	(151)

The financial statements on pages 6 to 17 were approved by the board of directors on 6 September 2012 and were signed on its behalf by



Jason Lock  
Director

Registered number 2847005

# **Health & Care Services (NW) 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 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

### **Tangible assets**

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

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

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

Freehold buildings	- over 50 years
Furniture and fittings	- over 3, 5 or 10 years

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## **Health & Care Services (NW) Limited**

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.

### **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.

### **Deferred taxation**

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

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

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

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

### **Group relief**

Payment is generally made for group relief at the current tax rate at the time of first estimating the tax provision. To the extent that amendments are subsequently made to the group relief plan, there is generally no payment or receipt in respect of the change.

### **Turnover and revenue recognition**

Turnover represents the amounts (excluding value added tax) derived from the provision of services to customers. Revenue is recognised as the services are provided. Revenue invoiced in advance is included in deferred income until service is provided. Revenue in respect of services provided but not yet invoiced by the period end is included within accrued income.

# Health & Care Services (NW) Limited

## Notes to the financial statements for the year ended 31 December 2011

### 1 Turnover and loss on ordinary activities before taxation

The company's turnover, loss on ordinary activities before taxation and net liabilities arise primarily from its principal activity of care delivery

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

### 2 Loss on ordinary activities before taxation

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

	2011	2010
	£'000	£'000
Dilapidations provision	-	(50)
Depreciation of tangible assets	112	79
Operating lease rentals	41	40
Management charges from fellow subsidiary	1,605	1,451

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

The remuneration of the auditors of £1,000 (2010 £1,500) was borne by another group undertaking

### 3 Remuneration of directors

The costs relating to the directors' services have been borne by Craegmoor Facilities Company Limited, up to 14 April 2011, and by Priory Central Services Limited since the acquisition of the Craegmoor group by the Priory group on 14 April 2011. No amounts have been recharged to the company in respect of the directors' services and the directors do not believe that it is practical to allocate these costs between group companies

## Health & Care Services (NW) Limited

### 4 Staff numbers and costs

The average number of persons that carried out work in connection with the company's operations (including directors) during the year (these persons are employed by a fellow subsidiary company) were

	2011	2010
	Number	Number
Analysis by activity		
Nursing	46	44
Ancillary	15	17
Administrative	5	9
	66	70

Staff costs (for the above persons)

	2011	2010
	£'000	£'000
Management charges in lieu of staff costs	1,058	997

### 5 Tax on loss on ordinary activities

	2011	2010
	£'000	£'000
UK corporation tax		
Group relief receivable	(46)	-
<b>Total current tax credit</b>	<b>(46)</b>	<b>-</b>
Deferred tax		
Origination and reversal of timing differences	(8)	7
Effect of tax rate change	2	-
Adjustment in respect of prior periods	(20)	1
<b>Total deferred tax (credit)/charge</b>	<b>(30)</b>	<b>8</b>
<b>Total tax (credit)/charge</b>	<b>(76)</b>	<b>8</b>

## Health & Care Services (NW) Limited

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

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 26.49% (2010: 28%)  
The actual tax credit for the year is higher (2010: lower) than the standard rate for the reasons set out in the following reconciliation

	2011 £'000	2010 £'000
Loss on ordinary activities before tax	(128)	(8)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26.49% (2010: 28%)	(34)	(2)
Effects of		
Expenses not deductible for tax purposes	19	12
Capital allowances for the year less than depreciation	9	(8)
Transfer pricing adjustments	(40)	(41)
Group relief received not paid for	-	39
<b>Total current tax charge for the year</b>	<b>(46)</b>	<b>-</b>

The standard rate of corporation tax in the UK changed from 28% to 26% with effect from 1 April 2011. A further reduction in this corporation tax rate effective on 1 April 2012 from 26% to 25% was substantively enacted for the purposes of FRS 19 on 5 July 2011. Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 26.49% and deferred taxation has been calculated based on a rate of 25%.

In addition to the changes in rates of corporation tax disclosed above a number of further changes to the UK corporation tax system were announced in the March 2012 UK Budget Statement. Changes to the corporation tax rate on 1 April 2012, substantively enacted for the purposes of FRS 19 on 26 March 2012, will reduce to 24%, a 1% reduction from the rate substantively enacted on 5 July 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 22% by 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The proposed reductions of the main rate of corporation tax by 1% per year to 22% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 25% to 22%, if these applied to the deferred tax balance at the balance sheet date, would be immaterial.

No provision has been made for deferred taxation on gains recognised on revaluing property to its market value. Such tax would become payable only if the property was sold without it being possible to claim rollover relief or utilise available losses. The total amount unprovided for at 25% is £226,000 (2010: £220,000 at 27%).

## Health & Care Services (NW) Limited

### 6 Tangible assets

	Freehold land and buildings £'000	Furniture and fittings £'000	Total £'000
<b>Cost or valuation</b>			
At 1 January 2011	1,487	741	2,228
Additions	-	73	73
Gain on revaluation	873	-	873
<b>At 31 December 2011</b>	<b>2,360</b>	<b>814</b>	<b>3,174</b>
<b>Accumulated depreciation</b>			
At 1 January 2011	376	468	844
Charge for the year	33	79	112
<b>At 31 December 2011</b>	<b>409</b>	<b>547</b>	<b>956</b>
<b>Net book amount</b>			
<b>At 31 December 2011</b>	<b>1,951</b>	<b>267</b>	<b>2,218</b>
At 31 December 2010	1,111	273	1,384

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

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

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

	2011 £'000	2010 £'000
Gain on revaluation		
Credited to the revaluation reserve	873	-
Included in the statement of total recognised gains and losses	873	-



## Health & Care Services (NW) Limited

### 6 Tangible assets (continued)

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

	2011	2010
	£'000	£'000
Cost	895	895
Aggregate depreciation	(240)	(231)
Net book value	655	664

### 7 Debtors

	2011	2010
	£'000	£'000
Other debtors	1	-
Group relief receivable	46	-
Prepayments and accrued income	9	-
	56	-

### 8 Creditors: amounts falling due within one year

	2011	2010
	£'000	£'000
Other creditors	188	-
Amounts owed to group undertakings	1,390	1,491
Accruals and deferred income	14	-
	1,592	1,491

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

# Health & Care Services (NW) Limited

## 9 Provisions for liabilities and charges

	Deferred tax £'000
At 1 January 2011	44
Credit in the year	(30)
<b>At 31 December 2011</b>	<b>14</b>

The amount provided for deferred taxation comprises

	2011 £'000	2010 £'000
Accelerated capital allowances	14	44

## 10 Called up share capital

	2011 £'000	2010 £'000
<b>Authorised</b>		
50,000 (2010 50,000) ordinary shares of £1 each	50	50
<b>Issued and fully paid</b>		
1 (2010 1) ordinary shares of £1 each	-	-

## 11 Reserves

	Revaluation reserve £'000	Profit and loss account £'000
At 1 January 2011	816	(967)
Loss for the financial year	-	(52)
Gain on revaluation	873	-
Transfer between reserves	(393)	393
<b>At 31 December 2011</b>	<b>1,296</b>	<b>(626)</b>

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

## Health & Care Services (NW) Limited

### 12 Reconciliation of movements in shareholders' funds

	2011	2010
	£'000	£'000
Loss for the financial year	(52)	(16)
Gain on revaluation	873	-
Net increase/(decrease) to shareholders' funds/(deficit)	821	(16)
Opening shareholders' deficit	(151)	(135)
Closing shareholders' funds/(deficit)	670	(151)

### 13 Contingent liabilities

At 31 December 2011, borrowings of a fellow group undertaking were secured by fixed and floating charges over all the assets of the company

### 14 Commitments

At the 31 December 2011 the company had annual commitments for land and buildings under non-cancellable operating leases as follows

	2011	2010
	£'000	£'000
In more than five years	40	40

As at 31 December 2011 the company had capital commitments of £18,000 (2010 £nil)

### 15 Ultimate parent company and controlling party

The company's immediate parent company, which is incorporated in England, is Craegmoor Older People Care 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 2011. Priory Group No 3 PLC is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2011. 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