Rothcare Estates Limited

Annual report and financial statements

for the year ended 31 December 2014

Registered number: 03941902

Rothcare Estates Limited

Annual report and financial statements

for the year ended 31 December 2014

Contents

Rothcare Estates Limited

Strategic report for the year ended 31 December 2014

The directors present their strategic report on Rothcare Estates Limited for the year ended 31 December 2014.

Principal activities and review of business
The principal activity of the company is holding property occupied by other companies in the group.

On 28 November 2014, the entire share capital of Castlecare Group Limited, the company's former ultimate parent company, was acquired by Priory Education Services Limited, a subsidiary of Priory Group No. 1 Limited.

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 8.

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

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 include the company, are discussed in the group's annual report which does not form part of this report.

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

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

By order of the board

Mark Moran
Director
27 August 2015

Rothcare Estates Limited

Directors' report for the year ended 31 December 2014

The directors present their report and the audited financial statements of the company for the year ended 31 December 2014.

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.

Dividends

The directors do not recommend the payment of a dividend (2013: £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:

R C C Smith	(resigned 1 December 2014)
P F Jephcott	(resigned 1 December 2014)
L A Jones	(resigned 1 December 2014)
J Lock	(appointed 1 December 2014, resigned 1 April 2015)
T Riall	(appointed 1 December 2014)
M Moran	(appointed 1 April 2014)

In accordance with the articles of association, no directors retire by rotation.

Future developments

The future developments of the company are discussed in the strategic report.

Independent auditors

The independent auditors Deloitte LLP resigned in the period. PricewaterhouseCoopers LLP were appointed and have indicated their willingness to continue in office.

Provision of information to auditors

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

Directors' report for the year ended 31 December 2014 (continued)

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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

Mark Moran
Director
27 August 2015

80 Hammersmith Road
London
England
W14 8UD

Independent auditors' report to the members of Rothcare Estates Limited

Report on the financial statements

Our opinion
In our opinion, Rothcare Estates Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 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.

What we have audited
Rothcare Estates Limited's financial statements comprise:

- the balance sheet as at 31 December 2014;
- the profit and loss account for the year then ended;
- the statement of changes in shareholders' funds for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include 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), including FRS 101 "Reduced Disclosure Framework".

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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the directors' 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.

Independent auditors' report to the members of Rothcare Estates Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors
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) ("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.

What an audit of financial statements involves
We conducted our audit in accordance with 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.

Tom Yeates (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
27 August 2015

Rothcare Estates Limited

Profit and loss account for the year ended 31 December 2014

	Note	**2014** **£'000**	2013 £'000
Turnover	1	**944**	892
Administrative expenses (including operating exceptional costs of £nil; 2013: £677,000)	2	**(503)**	(1,254)
Operating profit/(loss)		**441**	(362)
Interest payable and similar charges	5	**(106)**	(112)
Profit/(loss) on ordinary activities before taxation	2	**335**	(474)
Tax on profit/(loss) on ordinary activities	6	**(13)**	230
Profit/(loss) for the financial year		**322**	(244)

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

There is no other comprehensive income for the period.

Rothcare Estates Limited

Balance sheet as at 31 December 2014

	Note	**2014** £'000	2013 £'000
Fixed assets			
Property, plant and equipment	7	**6,656**	6,926
Current assets			
Debtors	8	**1,916**	1,716
Cash at bank and in hand		**1**	2
		1,917	1,718
Creditors: amounts falling due within one year	9	**(4,047)**	(4,441)
Net current liabilities		**(2,130)**	(2,723)
Total assets less current liabilities		**4,526**	4,203
Provisions for liabilities	10	**(650)**	(649)
Net assets		**3,876**	3,554
Capital and reserves			
Called up share capital	11	**25**	25
Profit and loss account		**3,851**	3,529
Total shareholders' funds		**3,876**	3,554

The financial statements on pages 6 to 18 were approved by the board of directors on 27 August 2015 and were signed on its behalf by:

Mark Moran
Director

Registered number: 03941902

Statement of changes in shareholders' funds for the year ended 31 December 2014

	Called up Share capital	Profit and loss account	Total
	£'000	£'000	£'000
At 1 January 2013	25	3,773	3,798
Loss for the financial year	-	(244)	(244)
At 31 December 2013	25	3,529	3,554
Profit for the financial year	-	322	322
At 31 December 2014	**25**	**3,851**	**3,876**

Rothcare Estates Limited

Statement of accounting policies

The following accounting policies have been applied consistently in the company's financial statements.

Basis of preparation
The company is a private limited company, incorporated and domiciled in the United Kingdom.

The financial statements are presented in sterling, rounded to the nearest thousand. They are prepared on a going concern basis and under the historical cost convention. The principal accounting policies applied in the preparation of these financial statements are set out below, and, unless otherwise stated, these policies have been consistently applied to all the periods presented.

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.

These financial statements have been prepared in accordance with United Kingdom Accounting Standards, in particular, Financial Reporting Standard 101 "Reduced Disclosure Framework (FRS 101) and, the Companies Act 2006 (the Act). FRS 101 sets out a reduced disclosure framework for a "qualifying entity" as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The Company is a qualifying entity for the purposes of FRS 101. Note 14 gives details of the Company's ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

These are the first financial statements of the Company prepared in accordance with FRS 101. The Company's date of transition to FRS 101 is 1 January 2013. The Company has notified its shareholders in writing about, and they do no object to, the use of the disclosure exemptions used by the Company in these financial statements. The impact of the amendments to the Company's previously adopted accounting policies in accordance with UK GAAP (excluding FRS 101) is explained in Note 13.

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

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

Statement of accounting policies (continued)

Basis of preparation (continued)
The preparation of financial statements in conformity with FRS 101 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided to write off the cost less the estimated residual value of property, plant and equipment by equal instalments over their estimated useful economic lives as follows:

Freehold building - 2% per annum

The expected residual values and useful lives of the assets to the business are reassessed, and adjusted if appropriate at each balance sheet date. Land is not depreciated on the basis that land has an unlimited life. Where the cost of land and buildings cannot be split, the directors have estimated that the value attributable to land is 22% of the cost of the land and buildings, based on experience.

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

Cash
Cash comprises all bank balances and is stated in the balance sheet at fair value. The company does not hold any cash equivalents.

Leases
Lease payments made in respect of operating leases are recognised on a straight line basis over the term of the lease.

Retirement benefit costs
The company participates in a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Statement of accounting policies (continued)

Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit can differ from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years, or that are never taxable or deductible. The company's liability for current tax is calculated using rates that have been effective during the accounting period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax liabilities and when they relate to income taxes levied by the same taxation authority, and the company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax balances are not discounted.

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 consideration received for the provision of services to customers. Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes. Turnover is recognised as the services are provided. Turnover received in advance is included in deferred income until the service is provided. Turnover in respect of services provided but not yet invoiced by the period end is included within accrued income.

Exceptional items
Items that are both material and non-recurring and whose significance is sufficient to warrant separate disclosure and identification are referred to as exceptional items. Items that may give rise to classification as exceptional include, but are not limited to, significant and material restructuring and reorganization programme and acquisition costs.

Notes to the financial statements for the year ended 31 December 2014

1 Turnover

The company's turnover, profit/(loss) on ordinary activities before taxation and net assets arise primarily from its principal activity of the provision of accommodation and education for young individuals requiring special care and attention.

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

2 Profit/(loss) on ordinary activities before taxation

Profit/(loss) on ordinary activities before taxation is stated after charging:

	2014	2013
	£'000	£'000
Depreciation and other amounts written off property, plant and equipment:		
Owned	**75**	78
Rentals under operating leases:		
Other operating leases	**65**	76
Operating exceptional items:		
Impairment of property plant and equipment	-	677

The remuneration of the auditors of £8,000 (2013: £8,000) was borne by another group undertaking.

3 Remuneration of directors

The costs relating to the directors' services since 1 December 2014 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.

Prior to this and in the prior year the directors were remunerated by Castle Care Homes Limited.

Notes to the financial statements for the year ended 31 December 2014 (continued)

4 Staff numbers and costs

The average monthly number of persons employed by the company during the year, analysed by category, was as follows:

	2014 Number	2013 Number
Other	**13**	14

The aggregate payroll costs of these persons were as follows:

	2014 £'000	2013 £'000
Wages and salaries	**265**	315
Social security costs	**23**	28
Other pension costs	**3**	4
	291	347

5 Interest payable and similar charges

	2014 £'000	2013 £'000
Interest payable to other group undertakings	**106**	112

Notes to the financial statements for the year ended 31 December 2014 (continued)

6 Tax on profit/(loss) on ordinary activities

	2014	2013
	£'000	£'000
UK corporation tax:		
Current tax arising in the year	**57**	42
Adjustments in respect of prior years	**(45)**	(4)
Total current tax	**12**	38
Deferred tax		
Origination and reversal of timing differences	**1**	(268)
Total deferred tax	**1**	(268)
Total tax charge/(credit)	**13**	(230)

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 21.5% (2013: 23.25%). The actual tax charge for the year is lower than (2013: credit higher than) the standard rate for the reasons set out in the following reconciliation:

	2014	2013
	£'000	£'000
Profit/(loss) on ordinary activities before taxation	**335**	(474)
Tax on profit/(loss) on ordinary activities at standard rate	**72**	(110)
Factors affecting charge for the year:		
Depreciation in excess of capital allowances	**(1)**	(27)
Expenses not deductible for tax purposes	**-**	157
Adjustments in respect of prior years	**(45)**	(4)
Impact of rate changes	**-**	(2)
Short term timing differences	**-**	24
Movement in tax base of fixed assets	**(13)**	(268)
Total tax for the year	**13**	(230)

The standard rate of corporation tax in the UK changed from 23% to 21% with effect from 1 April 2014. Accordingly, the company's profits for this accounting year are taxed at an effective rate of 21.5% (2013: 23.25%). In his budget speech on 20 March 2013, the Chancellor announced that the main rate of corporation tax would change 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 21%.

Notes to the financial statements for the year ended 31 December 2014 (continued)

7 Property, plant and equipment

	Freehold land and buildings £'000
Cost	
At 1 January 2014	8,084
Additions	115
Disposals	(557)
At 31 December 2014	**7,642**
Accumulated depreciation	
At 1 January 2014	1,158
Charge for the year	75
Disposals	(247)
At 31 December 2014	**986**
Net book amount	
At 31 December 2014	**6,656**
At 31 December 2013	6,926

The value of freehold land on which depreciation is not provided amounts to £935,000 (2013: £935,000).

8 Debtors

	2014 £'000	2013 £'000
Amounts owed by group undertakings	**1,916**	1,716

Amounts owed by group undertakings are unsecured, bear interest at 4% and are repayable on demand.

Notes to the financial statements for the year ended 31 December 2014 (continued)

9 Creditors: amounts falling due within one year

	2014	2013
	£'000	£'000
Amounts owed to group undertakings	**3,978**	4,383
Corporation tax	**-**	54
Group relief payable	**66**	-
Accruals and deferred income	**3**	4
	4,047	4,441

Amounts owed to group undertakings are unsecured, bear interest at 4% and are repayable on demand.

10 Provisions for liabilities

	Deferred tax
	£'000
At 1 January 2014	649
Profit and loss account charge	1
At 31 December 2014	**650**

An analysis of deferred tax is as follows:

	2014	2013
	£'000	£'000
Accelerated capital allowances	**14**	-
Property, plant and equipment	**636**	649
	650	649

11 Called up share capital

	2014	2013
	£'000	£'000
Allotted, called-up and fully paid		
25,000 (2013: 25,000) ordinary shares of £1 each	**25**	25

Notes to the financial statements for the year ended 31 December 2014 (continued)

12 Commitments

At the balance sheet date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2014 Other £'000	2013 Other £'000
Within one year	**41**	49
In the second to fifth years inclusive	**20**	34
	61	83

13 Impact of the first time adoption of FRS 101

The impact of the adoption of FRS 101 is as follows:

- The "deemed cost" provisions of IFRS 1 have been applied to land and buildings. At the date of conversion the depreciated revalued amounts are deemed to approximate to fair value and have been taken as the net book value. There is no impact on net assets at 1 January 2013, 31 December 2013 or 31 December 2014. The profit for the financial year ended 31 December 2013 reduced by £677,000 due to an impairment of property plant and equipment which was previously recognised in reserves. There is no impact on the year ended 31 December 2014.

- Deferred tax liabilities have been recognised in relation to the difference between the carrying value and the tax written down value of land and buildings. A liability of £917,000 has been recognised at 1 January 2013, £649,000 at 31 December 2013and £636,000 at 31 December 2014. The loss for the financial year ended 31 December 2013 decreased by £268,000 and the profit for the financial year ended 31 December 2014 increased by £13,000.

Notes to the financial statements for the year ended 31 December 2014 (continued)

14 Ultimate parent company and controlling party

The company's immediate parent company, which is incorporated in the United Kingdom, is Castlecare Holdings Limited.

The ultimate parent undertaking and controlling party from 28 November 2014 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 2014. Priory Group No. 3 PLC is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2014. 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.