Priory Education Services Limited

Annual report and financial statements

for the year ended 31 December 2013

Registered number: 6244880

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for the year ended 31 December 2013
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Priory Education Services Limited

Strategic report for the year ended 31 December 2013

The directors present their strategic report on Priory Education Services Limited for the year ended 31 December 2013.

Principal activities
The principal activity of the company is the provision of specialist education and care for children who have emotional and behavioural difficulties, autistic spectrum difficulties, Asperger's Syndrome and dyslexia.

Business review
The results for the year are set out in the profit and loss account on page 7 and the position of the company as at the year end is set out in the balance sheet on page 8.

As the company is focussed on the education sector, 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 education, 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 achieved profit margins. Gross profit margins have decreased from 22.8% in 2012 to 15.4% in 2013.

During the year, a charge of £3,620,000 (2012: £231,000) was recognised in respect of operating exceptional items as noted in note 2.

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.

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.

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

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.

By order of the board

David Hall
Company Secretary
1 April 2014

Directors' report for the year ended 31 December 2013

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

Dividends

A dividend of £nil (2012: £16,800,000) was paid during the year. The directors do not propose the payment of a final dividend.

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:

C Thompson	(resigned 20 June 2013)
M Franzidis	
H Sharpe	
J Lock	
T Riall	(appointed 5 April 2013)

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

Employees

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

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

Provision of information to auditors
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

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

Statement of directors' responsibilities
The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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

Du Hall

David Hall
Company Secretary
1 April 2014

80 Hammersmith Road
London
England
W14 8UD

Independent auditors' report to the members of Priory Education Services Limited

Report on the financial statements

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

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

What we have audited
The financial statements, which are prepared by Priory Education Services Limited, comprise:

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

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

What an audit of financial statements involves
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent auditors' report to the members of Priory Education Services Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors
As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

R Bunter

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

Priory Education Services Limited

Profit and loss account for the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Turnover	1	**83,517**	91,623
Cost of sales		**(70,683)**	(70,759)
Gross profit		**12,834**	20,864
Administrative expenses (including operating exceptional costs of £3,620,000; 2012: £231,000)		**(9,003)**	(4,158)
Operating profit		**3,831**	16,706
Profit on disposal of fixed assets	2	**110**	23
Profit before interest and taxation		**3,941**	16,729
Interest payable and similar charges	5	**(3,329)**	(3,588)
Profit on ordinary activities before taxation	2	**612**	13,141
Tax on profit on ordinary activities	6	**(2,318)**	(5,162)
(Loss)/profit for the financial year	17	**(1,706)**	7,979

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

The company had no other recognised gains or losses for the year other than the (loss)/profit above, therefore no statement of total recognised gains and losses is presented.

There is no difference between the profit on ordinary activities before taxation and the (loss)/profit for the financial year stated above and their historical cost equivalents.

Priory Education Services Limited

Balance sheet as at 31 December 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Investments	8	-	-
Intangible assets	9	**24,742**	26,584
Tangible assets	10	**55,533**	52,929
		80,275	79,513
Current assets			
Debtors	11	**31,626**	42,867
Cash at bank and in hand		**942**	108
Assets held for sale	12	**5**	494
		32,573	43,469
Creditors: amounts falling due within one year	13	**(28,639)**	(36,656)
Net current assets		**3,934**	6,813
Total assets less current liabilities		**84,209**	86,326
Creditors: amounts falling due after more than one year	14	**(77,902)**	(78,309)
Provisions for liabilities	15	**-**	(4)
Net assets		**6,307**	8,013
Capital and reserves			
Called up share capital	16	**10**	10
Profit and loss account	17	**6,297**	8,003
Total shareholders' funds	18	**6,307**	8,013

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

Jason Lock
Director

Registered number: 6244880

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 accounting rules.

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.

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

Tangible assets and depreciation
Tangible assets are stated at cost, net of accumulated depreciation and any provision for impairment. 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.

Assets in 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.

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	50 years
Short leasehold properties	-	over the period of the lease
Fixtures and fittings	-	3 to 16 years
Motor vehicles	-	over the shorter of the lease and 4 years

Land is not depreciated on the basis that land has an unlimited life.

The expected useful lives of the assets to the business are re-assessed periodically in light of experience.

Statement of accounting policies (continued)

Investments
Investments in subsidiaries are stated at cost less provision for any impairment in value.

Asset impairment
Goodwill and tangible assets are tested for impairment by management when a trigger event that might affect asset values has occurred. An impairment loss is recognised in the profit and loss account to the extent that the carrying amount cannot be recovered either by selling the asset or by the discounted future earnings from an income-generating unit, which is an individual business operational unit. Goodwill is also subject to an impairment review at the end of the first full year following an acquisition.

Leases
Assets acquired under finance leases are capitalised at cost and depreciated over the shorter of the term of the lease and the useful lives for tangible assets set out above. The capital element of future rentals is included under creditors. Interest is charged to the profit and loss account over the period of the lease in proportion to the balance of the capital payments outstanding. Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

Post-retirement benefits
The company operates 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 against profits represents the contributions payable to the scheme in respect of the accounting period.

The company participates in the Teachers' Pension Scheme ("the scheme") which is a government funded final salary scheme. The company is unable to identify its share of the underlying assets and liabilities of the scheme in which it participates on a consistent and reliable basis. It has therefore taken advantage of the exemption under Financial Reporting Standard 17 paragraph 9 to treat the scheme as a defined contribution scheme.

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.

Statement of accounting policies (continued)

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.

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

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

1 Turnover

The company's turnover, profit on ordinary activities before taxation and net assets arise primarily from its principal activity of the provision of specialist education and care for children who have emotional and behavioural difficulties, autistic spectrum difficulties, Asperger's Syndrome and dyslexia.

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/(crediting):

	2013	2012
	£'000	£'000
Depreciation and other amounts written off tangible assets:		
Owned	**2,941**	2,631
Leased	**1,634**	1,681
Amortisation of goodwill	**1,842**	1,843
Rentals under operating leases:		
Hire of plant and machinery	**114**	114
Other operating leases	**12,599**	11,322
Operating exceptional items:		
Re-organisation and rationalisation costs	**2,086**	231
Impairment of fixed assets	**1,534**	-
Profit on disposal of fixed assets	**(110)**	(23)
Auditors' remuneration (inclusive of Value Added Tax)	**18**	18

The re-organisation and rationalisation costs of £2,086,000 (2012: £231,000) incurred in the year primarily relate to employee redundancy payments and site closure costs incurred as the company re-organised and streamlined its operations.

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

3 Remuneration of directors

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

4 Staff numbers and costs

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

	2013	2012
	Number	Number
By activity:		
Teachers and social workers	**1,457**	1,587
Administrative staff	**370**	346
	1,827	1,933

The aggregate payroll costs of these persons were as follows:

	2013	2012
	£'000	£'000
Wages and salaries	**38,892**	38,284
Social security costs	**2,832**	2,858
Other pension costs (note 21)	**1,311**	1,295
	43,035	42,437

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

5 Interest payable and similar charges

	2013	2012
	£'000	£'000
Interest payable to group undertakings	**1,773**	2,031
Finance charges payable in respect of finance leases	**75**	61
Finance charges payable in respect of finance leases with group undertakings	**1,481**	1,493
Provisions: unwinding of discount	**-**	3
	3,329	3,588

6 Tax on profit on ordinary activities

	2013	2012
	£'000	£'000
UK corporation tax:		
Current tax charge arising in the year	**2,621**	5,705
Adjustments in respect of prior years	**(268)**	(288)
Total current tax	**2,353**	5,417
Deferred tax:		
Origination and reversal of timing differences	**(145)**	(274)
Deferred tax adjustment in respect of prior years	**6**	(27)
Effect of tax rate change on opening balance	**104**	46
Total deferred tax	**(35)**	(255)
Total tax charge	**2,318**	5,162

The current tax charge of £2,353,000 (2012: £5,417,000) 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.

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

6 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 23.25% (2012: 24.49%). The actual tax charge for the year is higher (2012: higher) than the standard rate for the reasons set out in the following reconciliation:

	2013 £'000	2012 £'000
Profit on ordinary activities before taxation	**612**	13,141
Tax on profit on ordinary activities at standard rate	**142**	3,218
Factors affecting charge for the year:		
Depreciation in excess of capital allowances	**169**	292
Transfer pricing adjustments	**993**	1,155
Depreciation of non-qualifying assets	**460**	471
Expenses not deductible for tax purposes (including goodwill amortisation)	**857**	569
Adjustment in respect of prior years	**(268)**	(288)
Total current tax charge for the year	**2,353**	5,417

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

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

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

7 Dividends

	2013	2012
	£'000	£'000
Equity – ordinary		
£nil (2012: £1,680) per share	-	16,800

The dividend paid during the year was settled via the intercompany current account.

8 Investments

	Shares in group undertakings
	£
Cost	
At 1 January 2013 and 31 December 2013	1
Provisions	
At 1 January 2013 and 31 December 2013	-
Net book value	
At 31 December 2013	1
At 31 December 2012	1

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

Subsidiary undertaking	Principal activities	Country of incorporation	Class and percentage of shares held
Priory (Thetford 1) Limited	Non-trading	United Kingdom	100% ordinary

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

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

9 Intangible assets

	Goodwill £'000
Cost	
At 1 January 2013 and 31 December 2013	**36,886**
Accumulated amortisation	
At 1 January 2013	10,302
Charge for the year	1,842
At 31 December 2013	**12,144**
Net book amount	
At 31 December 2013	**24,742**
At 31 December 2012	26,584

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

10 Tangible assets

	Land and buildings	Assets in the course of construction	Fixtures and fittings	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2013	41,183	45	26,866	2,821	70,915
Additions	1,890	3,283	3,080	465	8,718
Disposals	-	-	-	(47)	(47)
Transfers between categories	-	(26)	26	-	-
Transfer to assets held for sale	(386)	-	(2,096)	-	(2,482)
At 31 December 2013	**42,687**	**3,302**	**27,876**	**3,239**	**77,104**
Accumulated depreciation					
At 1 January 2013	6,841	-	9,401	1,744	17,986
Charge for the year	1,394	-	2,547	634	4,575
Impairment	364	-	1,170	-	1,534
Disposals	-	-	-	(47)	(47)
Transfer to assets held for sale	(382)	-	(2,095)	-	(2,477)
At 31 December 2013	**8,217**	-	**11,023**	**2,331**	**21,571**
Net book amount					
At 31 December 2013	**34,470**	**3,302**	**16,853**	**908**	**55,533**
At 31 December 2012	34,342	45	17,465	1,077	52,929

The net book value of assets held under finance leases included within tangible assets was as follows:

	2013	2012
	£'000	£'000
Land and buildings	**19,350**	20,373
Fixtures and fittings	**9**	14
Motor vehicles	**895**	966
	20,254	21,353

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

10 Tangible assets (continued)

Depreciation for the year in respect of assets held under finance leases was as follows:

	2013	2012
	£'000	£'000
Land and buildings	1,021	1,021
Fixtures and fittings	5	5
Motor vehicles	608	655
	1,634	1,681

Freehold and leasehold land and buildings

	2013	2012
	£'000	£'000
Freehold	15,120	13,969
Short leasehold	19,350	20,373
	34,470	34,342

Included in land and buildings is freehold land of £1.1 million as at 31 December 2013 (2012: £1.2 million).

11 Debtors

	2013	2012
	£'000	£'000
Trade debtors	620	532
Amounts owed by group undertakings	29,807	41,288
Other debtors	82	85
Prepayments and accrued income	275	155
Deferred tax	842	807
	31,626	42,867

Amounts owed by group undertakings due within one year are non-interest bearing and repayable on demand.

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

11 Debtors (continued)

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

	£'000
Deferred tax:	
At 1 January 2013	807
Credit for the year	35
At 31 December 2013	**842**

Deferred tax arises on the following timing differences:

	2013	2012
	£'000	£'000
Accelerated tax depreciation	**813**	770
Short term timing differences	**29**	37
	842	807

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

12 Assets held for sale

	Land and buildings £'000	Fixtures and fittings £'000	Total £'000
Cost			
As at 1 January 2013	2	792	794
Disposals	(2)	(792)	(794)
Transfer from tangible assets	386	2,096	2,482
At 31 December 2013	**386**	**2,096**	**2,482**
Accumulated depreciation			
As at 1 January 2013	-	300	300
Disposals	-	(300)	(300)
Transfer from tangible assets	382	2,095	2,477
At 31 December 2013	**382**	**2,095**	**2,477**
Net book amount			
As at 31 December 2013	**4**	**1**	**5**
At 31 December 2012	2	492	494

13 Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Obligations under finance lease contracts (note 14)	**476**	499
Obligation under finance lease contracts with group undertakings (note 14)	**1,857**	1,812
Group relief payable	**2,353**	5,417
Taxation and social security	**978**	962
Other creditors	**1,437**	2,511
Accruals and deferred income	**21,538**	25,455
	28,639	36,656

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

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

14 Creditors: amounts falling due after more than one year

	2013	2012
	£'000	£'000
Amounts owed to group undertakings	**54,325**	54,325
Obligations under finance leases	**842**	873
Obligation under finance lease contracts with group undertakings	**22,735**	23,111
	77,902	78,309

Amounts owed to group undertakings are unsecured, bear interest at LIBOR plus 2.25% per annum and are payable on demand. It is not expected that the demand would be made or that these amounts will be paid within one year and accordingly these amounts have been shown as amounts falling due after more than one year.

Obligations under finance leases are payable as follows:

	2013	2012
	£'000	£'000
Within one year	**476**	499
In more than one year, but not more than five years	**842**	873
	1,318	1,372

Obligations under finance leases with group undertakings are payable as follows:

	2013	2012
	£'000	£'000
Within one year	**1,857**	1,812
In more than one year, but not more than five years	**7,906**	7,713
After five years	**14,829**	15,398
	24,592	24,923

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

15 Provisions for liabilities

Onerous lease	£'000
At 1 January 2013	4
Utilised during the year	(4)
At 31 December 2013	-

A provision was made for the onerous payments in relation to one lease and was based on the expected onerous element of future payments over the remaining life of the lease.

16 Called up share capital

	2013	2012
	£'000	£'000
Authorised		
10,000 (2012: 10,000) ordinary shares of £1 each	**10**	10
Allotted and fully paid		
10,000 (2012: 10,000) ordinary shares of £1 each	**10**	10

17 Profit and loss account

	£'000
At 1 January 2013	8,003
Loss for the financial year	(1,706)
At 31 December 2013	**6,297**

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

18 Reconciliation of movements in shareholders' funds

	2013	2012
	£'000	£'000
(Loss)/profit for the financial year	(1,706)	7,979
Dividends	-	(16,800)
Net reduction in shareholders' funds	(1,706)	(8,821)
Opening shareholders' funds	8,013	16,834
Closing shareholders' funds	6,307	8,013

19 Contingent liabilities

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

20 Commitments

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

	2013	2012
	£'000	£'000
Contracted	308	390

Annual commitments under non-cancellable operating leases are as follows:

	2013		2012	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within one year	14	114	68	10
In the second to fifth years inclusive	186	-	136	104
In over five years	12,630	-	12,292	-
	12,830	114	12,496	114

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

21 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 £461,000 (2012: £497,000).

The company participates in the Teachers' Pension Scheme ("the scheme") which is a government funded final salary scheme. The pension charge for the year was £850,000 (2012: £798,000). The company is unable to identify its share of the underlying assets and liabilities of the scheme in which it participates on a consistent and reliable basis. It has therefore taken advantage of the exemption under Financial Reporting Standard 17 paragraph 9 to treat the scheme as a defined contribution scheme.

As at 31 December 2013, there were outstanding contributions of £182,000 (2012: £144,000).

22 Ultimate parent company and controlling party

The company's immediate parent company, which is incorporated in the Cayman Islands, is Priory Holdings Company No 3 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 2013. Priory Group No. 3 PLC is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2013. The consolidated financial statements of Priory Group No. 1 Limited and Priory Group No. 3 PLC can be obtained from the Company Secretary at 80 Hammersmith Road, London, W14 8UD.