

Priory Healthcare Finance Co Limited

Annual Report and Unaudited Financial Statements

for the Year Ended 31 December 2020

Registration number: 4433253

MONDAY



AADWLNZM

A06

27/09/2021

#23

COMPANIES HOUSE

Priory Healthcare Finance Co Limited

Contents

Company Information	1
Strategic Report	2
Directors' Report	3
<i>Statement of Directors' Responsibilities</i>	4
Profit and Loss Account	5
Statement of Comprehensive Income	6
Balance Sheet	7
<i>Statement of Changes in Equity</i>	8
Notes to the Unaudited Financial Statements	9 to 15

Priory Healthcare Finance Co Limited

Company Information

Directors David Hall

Jim Lee

Company secretary David Hall

Registered office Fifth Floor
80 Hammersmith Road
London
W14 8UD

Priory Healthcare Finance Co Limited

Strategic Report for the Year Ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020.

Fair review of the business

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 7.

The company's management is satisfied with the performance for the year.

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 UK 1 Limited, an intermediate parent of the company, is discussed in the group's financial statements which includes the company and 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 principle risks and uncertainties of Priory Group UK 1 Limited, which include those of the company, are discussed in the group's financial statements which do not form part of this report.

Statement on Section 172(1)

The following Section 172 statement, which is required by the Companies Act 2006, describes how the directors have had regard to the matters set out in Section 172(1a to 1f) including key decisions and matters that are of strategic importance to the company. The directors, in line with their duties under Section 172 of the Companies Act 2006, act in a way they consider, in good faith would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard to a range of matters when making decisions for the long term.

From the perspective of the company, decisions and policies relating to Section 172(1) are determined at group level and applied to the company, where relevant, by the directors. Accordingly, further details in relation to how the directors have engaged with suppliers, customers, employees and other stakeholders are included in the financial statements of Priory Group UK 1 Limited, an intermediate parent of the company, which includes the company and does not form part of this report.

Approved by the Board on 9 September 2021 and signed on its behalf by:

David Hall

.....
David Hall
Company secretary and director

Priory Healthcare Finance Co Limited

Directors' Report for the Year Ended 31 December 2020

The directors present their report and the unaudited financial statements for the year ended 31 December 2020.

This report should be read in conjunction with the strategic report on page 2. The company has chosen in accordance with Section 414C(ii) of the Companies Act 2006 to set out in the strategic report the following which the directors believe to be of strategic importance:

- Business review;
- Principal risks and uncertainties; and
- Statements in relation to how directors have engaged with employees, suppliers, customers and others in a business relationship with the company.

Principal activity

The principal activity of the company is to act as an intermediate holding company.

Directors' of the company

The director, who held office during the year and up to the date of signing the financial statements was as follows:

David Hall - Company secretary and director

The following directors were appointed after the year end:

Ryan Jervis (appointed 3 June 2021 and resigned 12 July 2021)

Trevor Torrington (appointed 3 June 2021 and resigned 12 July 2021)

Jim Lee (appointed 12 July 2021)

Dividends

The directors do not recommend the payment of a final dividend (2019: £nil). No dividends were paid during the year (2019: £nil).

Financial instruments

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 UK 1 Limited, which include those of the company, are discussed in the group's financial statements which do not form part of this report.

Future developments

The future developments of the company are aligned to the strategy of the UK group, headed by Priory Group UK 1 Limited. The group's strategy for the future development of the business is included in the group's financial statements, which do not form part of this report.

Approved by the Board on 9 September 2021 and signed on its behalf by:

David Hall

.....
David Hall
Company secretary and director

Priory Healthcare Finance Co Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual 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 elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

Priory Healthcare Finance Co Limited

Profit and Loss Account for the Year Ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Turnover		-	-
Operating profit/(loss)		-	-
Other interest receivable and similar income	3	<u>2,161</u>	<u>2,289</u>
Profit before tax		2,161	2,289
Tax on profit on ordinary activities	5	<u>(96)</u>	<u>(89)</u>
Profit for the year		<u>2,065</u>	<u>2,200</u>

The above results were derived from continuing operations.

The notes on pages 9 to 15 form an integral part of these financial statements.

Priory Healthcare Finance Co Limited

Statement of Comprehensive Income for the Year Ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Profit for the year		<u>2,065</u>	<u>2,200</u>
Total comprehensive income for the year		<u>2,065</u>	<u>2,200</u>

The notes on pages 9 to 15 form an integral part of these financial statements.

Priory Healthcare Finance Co Limited

(Registration number: 4433253)

Balance Sheet as at 31 December 2020

	Note	2020 £ 000	2019 £ 000
Fixed assets			
Investments	6	30,500	30,500
Current assets			
Debtors	7	66,937	66,937
Creditors: Amounts falling due within one year	8	<u>(23,825)</u>	<u>(25,890)</u>
Net current assets		<u>43,112</u>	<u>41,047</u>
Net assets		<u>73,612</u>	<u>71,547</u>
Capital and reserves			
Called up share capital	9	5,339	5,339
Share premium reserve		5,339	5,339
Profit and loss account		<u>62,934</u>	<u>60,869</u>
Shareholders' funds		<u>73,612</u>	<u>71,547</u>

For the financial year ending 31 December 2020 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476; and
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

Approved by the Board on 9 September 2021 and signed on its behalf by:

Jim Lee

.....

Jim Lee

Director

The notes on pages 9 to 15 form an integral part of these financial statements.

Priory Healthcare Finance Co Limited

Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2020	5,339	5,339	60,869	71,547
Profit for the year	-	-	2,065	2,065
Total comprehensive income	-	-	2,065	2,065
At 31 December 2020	5,339	5,339	62,934	73,612

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2019	5,339	5,339	58,669	69,347
Profit for the year	-	-	2,200	2,200
Total comprehensive income	-	-	2,200	2,200
At 31 December 2019	5,339	5,339	60,869	71,547

The notes on pages 9 to 15 form an integral part of these financial statements.

Priory Healthcare Finance Co Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2020

1 General information

The company is a private company limited by share capital incorporated and domiciled in United Kingdom.

The address of its registered office is:

Fifth Floor
80 Hammersmith Road
London
W14 8UD
United Kingdom

These financial statements were authorised for issue by the Board on 9 September 2021.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. *These policies have been consistently applied to all the years presented, unless otherwise stated.*

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

The financial statements are presented in sterling, rounded to the nearest thousand.

Summary of disclosure exemptions

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 10 gives details of the Company's ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

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 had no other related party transactions); and
- Roll-forward reconciliations in respect of share capital (IAS 1).

Going concern

The financial statements have been prepared on the going concern basis.

Priory Healthcare Finance Co Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Exemption from preparing group accounts

The financial statements contain information about Priory Healthcare Finance Co Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Priory Group UK 1 Limited, a company incorporated in United Kingdom.

Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 January 2020 have had a material effect on the financial statements.

Tax

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

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.

Investments

Investments in securities are classified on initial recognition as available-for-sale and are carried at fair value, except where their fair value cannot be measured reliably, in which case they are carried at cost, less any impairment.

Unrealised holding gains and losses other than impairments are recognised in other comprehensive income. On maturity or disposal, net gains and losses previously deferred in accumulated other comprehensive income are recognised in income.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

Trade debtors

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Priory Healthcare Finance Co Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Trade creditors

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

3 Other interest receivable and similar income

	2020 £ 000	2019 £ 000
Other finance income	<u>2,161</u>	<u>2,289</u>

4 Directors' remuneration

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.

5 Income tax

Tax charged/(credited) in the profit and loss account

	2020 £ 000	2019 £ 000
Current taxation		
UK corporation tax	<u>96</u>	<u>89</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

Priory Healthcare Finance Co Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2020 (continued)

5 Income tax (continued)

	2020 £ 000	2019 £ 000
Profit before tax	<u>2,161</u>	<u>2,289</u>
Corporation tax at standard rate	411	435
Increase (decrease) from transfer pricing adjustments	<u>(315)</u>	<u>(346)</u>
Total tax charge	<u>96</u>	<u>89</u>

The company's profits for this accounting year are taxed at an effective rate of 19% (2019: 19%).

6 Investments

Subsidiaries	£ 000
Cost or valuation	
At 1 January 2020	<u>30,500</u>
At 31 December 2020	<u>30,500</u>
Carrying amount	
At 31 December 2020	<u>30,500</u>
At 31 December 2019	<u>30,500</u>

Details of the subsidiaries as at 31 December 2020 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2020	2019
Priory Group Limited*	Non trading	United Kingdom	100%	100%
Priory Securitisation Holdings Limited	Non trading	United Kingdom	100%	100%
Priory Behavioural Health Limited	Non trading	United Kingdom	100%	100%
Employee Management Services Limited	Non trading	United Kingdom	100%	100%
Sturt House Clinic Limited	Non trading	United Kingdom	100%	100%
Fanplate Limited	Non trading	United Kingdom	100%	100%
Priory Securitisation Limited	Non trading	United Kingdom	100%	100%

Priory Healthcare Finance Co Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2020 (continued)

6 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2020	2019
Priory Grange (Holdings) Limited	Non trading	United Kingdom	100%	100%
Priory Old Acute Services Limited	Non trading	United Kingdom	100%	100%
Priory Old Grange Services Limited	Non trading	United Kingdom	100%	100%
Priory Old Forensic Services Limited	Non trading	United Kingdom	100%	100%
Priory Old Schools Services Limited	Non trading	United Kingdom	100%	100%
Libra Health Limited	Non trading	United Kingdom	100%	100%
Jacques Hall Limited	Non trading	United Kingdom	100%	100%
Robinson Kay House (Bury) Limited	Non trading	United Kingdom	100%	100%
Farleigh Schools Limited	Non trading	United Kingdom	100%	100%
Chelfham Senior School Limited	Non trading	United Kingdom	100%	100%
Autism (GB) Limited	Non trading	United Kingdom	100%	100%
Solutions (Llangarron) Limited	Non trading	United Kingdom	100%	100%

* indicates directly held subsidiary

As at 31 December 2020, Priory Securitisation Holdings Limited, an indirect subsidiary, had a 36.998% economic interest in the partnership capital of Priory Finance Property LLP, a wholly owned subsidiary of the Priory Group. The principal activity of the partnership is to lease properties to fellow group undertakings.

The directors consider that the carrying value of the investments is supported by their underlying net assets.

Priory Healthcare Finance Co Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2020 (continued)

7 Trade and other debtors

	2020 £ 000	2019 £ 000
Loans to related parties	<u>66,937</u>	<u>66,937</u>
Total current trade and other debtors	<u>66,937</u>	<u>66,937</u>

Loans to related parties are unsecured and bear interest at LIBOR plus 2.25% per annum.

8 Creditors: amounts falling due within one year

	2020 £ 000	2019 £ 000
Amounts due to group undertakings	23,729	25,801
Income tax liability	<u>96</u>	<u>89</u>
	<u>23,825</u>	<u>25,890</u>

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

9 Share capital

Allotted, called up and fully paid shares

	No. 000	2020 £ 000	No. 000	2019 £ 000
Ordinary shares of £0.50 each	<u>10,678</u>	<u>5,339</u>	<u>10,678</u>	<u>5,339</u>

Priory Healthcare Finance Co Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2020 (continued)

10 Parent and ultimate parent undertaking

The company's immediate parent is Priory Healthcare Investments Limited.

The ultimate parent is Acadia Healthcare Company Inc..

The parent of the largest group in which these financial statements are consolidated is Acadia Healthcare Company Inc., incorporated in the United States of America. The address of Acadia Healthcare Company Inc. is 830 Crescent Centre Drive, Suite 610, Franklin, TN 37067, United States of America.

The parent of the smallest group in which these financial statements are consolidated is Priory Group UK 1 Limited incorporated in the United Kingdom. The address of Priory Group UK 1 Limited is Fifth Floor, 80 Hammersmith Road, London, W14 8UD, United Kingdom.

On 19 January 2021 the entire share capital of AHC-WW Jersey Limited, a subsidiary of Acadia Healthcare Company Inc., was acquired by RemedcoUK Limited, a subsidiary of Waterland Private Equity Fund VII C.V., registered in the Netherlands. From this date the ultimate parent undertaking and controlling party is Waterland Private Equity Fund VII C.V..