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Oaktree Care Group Limited

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Partnerships in Care UK 2 Limited

Directors' report and financial statements

For the Year Ended 31 December 2015

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Partnerships in Care UK 2 Limited

Company Information

Directors	Christopher Howard Joey Jacobs
Registered number	9059930
Registered office	2 Imperial Place Maxwell Road Borehamwood Hertfordshire WD6 1JN
Independent auditors	Ernst & Young LLP Chartered Accountants and Statutory Auditors 400 Capability Green Luton LU1 3LU
Bankers	Royal Bank of Scotland 2 1/2 Devonshire Square London EC2M 4XJ

Partnerships in Care UK 2 Limited

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**Group strategic report
For the Year Ended 31 December 2015**

The directors present their strategic report for the financial year ended 31 December 2015

Business review

2015 was a positive year for Partnerships in Care (PiC). The continuing strong demand from the NHS for high quality – secure and specialist services in the independent sector is reflected in PiC's increased referrals, admissions and occupancy figures

Mental health provision continues to be subject to a number of reviews that help to inform the future delivery of quality, compassionate patient care. PiC regularly engages with all stakeholders including policy makers, local and central government to continue to deliver best outcomes for both the NHS and patients. In 2015 PiC achieved 100% of CQUIN targets, and high levels of regulatory compliance

Our enhanced ward to board structure and real time reporting promote openness and transparency and informs PiC's operational and clinical strategies. They also help us to innovate and continually improve our practice based on feedback from staff, patients, families, friends and commissioners

In 2016 PiC will continue to develop its current services in addition to the opening of several new services in the UK, and will continue to work collaboratively with the NHS and clinicians to deliver the best possible care and ensure positive outcomes for patients

At year-end 2015, the Group's performance met or exceeded all financial performance measures. The Group had a total of 37 inspections from the regulators (Care Quality Commission, Health Improvement Scotland and Healthcare Inspectorate Wales) and 59 Mental Health Act Commission visits throughout the year in which the majority of our hospitals proved their compliance to standards through positive reports

Principal risks and uncertainties

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential risks for the Group. The Group's funding, liquidity and exposure to interest rate risk is managed by the Group's finance department and is subject to internal control procedures. All significant financing transactions are authorised by the Board of Directors. The most important components of financial risk impacting the Group are price risk, liquidity risk, interest rate risk and to a lesser extent credit risk - these are discussed in turn below

Price risk

The Group's main customer for its mental health services is the NHS and any change in government policy resulting in a reduction in the fee rate received for the treatment of patients referred would constitute a risk to the Group. This has been a risk faced by the group since it began to trade in 1991. The Group does not see the likelihood of any significant change in the close partnership between PiC and the NHS. The current government policy remains committed to the role of independent healthcare provision

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when they fall due. Cash forecasts identifying the liquidity requirements of the Group are produced frequently and are regularly reviewed to ensure that sufficient financial headroom exists for at least a 12 month period

Interest rate risk

The Group finances its operations through an inter group loan. The Group's loan is denominated in US dollars and is borrowed at a fixed interest rate of 6.8% per annum which is repayable 1 July 2022

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full, when due. With over 90% of our customers being quasi governmental organisations, the default risk is low. Late payment risk is managed through focused collection activities, coupled with both cash clearance and outstanding debt targets

Partnerships in Care UK 2 Limited

Group strategic report (continued) For the Year Ended 31 December 2015

Regulatory risk

The group is regulated by the Care Quality Commission, Health Improvement Scotland, Carehome Regulator for Scotland, Healthcare Inspectorate Wales and Carehome Regulator for Wales therefore faces regulatory risk. To mitigate risk from our regulators we have the following proactive systems in place

An internally run compliance team that conducts inspections and is led by the Director of Policy and Regulation. They inspect for compliance with national regulation as well as PiC policy and procedures. Their reports and also all regulatory reports are reviewed by PiC Clinical Governance Committee or through regional sub-committees and lessons learned are shared or inform policy or practice updates.

A patient-focused body of data is routinely recorded and also reported in the form of dashboards in real time. This includes, for example, incidents, complaints, safeguarding alerts, physical healthcare metrics, care plans in date, patient leave, activity, and progress.

Ward to Board Quality Monitoring and Assurance through the Partnerships in Care Ward to Board Quality Governance Framework oversees this activity. This enables us to deliver transparent, effective and responsive care and clarity of reporting throughout our services. The Corporate Clinical Governance and Corporate Management Committees meet monthly and are chaired by the Executive Medical Director, and the Group Chief Executive, respectively. The meetings are attended by the Operations Directors and Clinical Leads representative of all of our service lines. At the meetings, monthly quality reporting information from each hospital or service is reviewed and allow information to be cascaded from Ward to Board.

Financial key performance indicators

The Group prepares detailed financial budgets and projections for all of its facilities and operations, against which actual performance is monitored.

These projections relate both to the operational performance of existing units and to capital projects, where emphasis is placed upon cost control and achievement of completion deadlines.

The Group's financial key performance indicators during the year were as follows

	2015	2014
	£	£
Turnover	235,955,000	92,907,000
Operating profit (excluding exceptional items)	16,210,000	8,228,000
Shareholders' funds	390,552,000	292,796,000
Average number of employees	4,749	3,263
Quick ratio (Current assets - Stock / Current liabilities)	1.08	1.58

Turnover has increased in 2015 due to the increased number of beds operated by Partnerships in Care principally due to acquisition activity.

The Group manages working capital to ensure high customer service levels and good financial performance which is reflected in the Quick ratio of 1.08.

Other key performance indicators

The Group operates in a highly regulated environment and its care facilities are registered by the Care Quality Commission (CQC) in England, Health Improvement Scotland (HIS) or the Healthcare Inspectorate Wales (HIW).

The quality of care provided by the Group and its compliance with regulation are monitored in a structured manner. Care quality is subject to continuous review by the senior managers, operations directors and executive directors at regional, local and national level.

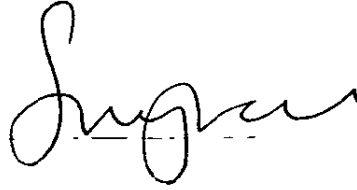
Senior managers, operations directors and executive directors visit sites regularly and use dashboards supported by audits and local and regional scrutiny to maintain continuous review of care quality. The Group's management structure is one of accountable leadership with clear lines of accountability from ward and hospital level, through operations directors under their management to the PiC Group Chief Executive and the PiC Board.

Partnerships in Care UK 2 Limited

**Group strategic report (continued)
For the Year Ended 31 December 2015**

This report was approved by the board on 27 September 2016 and signed on its behalf

**Sarah Livingston
Company Secretary**

A handwritten signature in black ink, appearing to read 'S Livingston', written over a horizontal dashed line.

Partnerships in Care UK 2 Limited

Directors' report For the Year Ended 31 December 2015

The directors present their report and the financial statements for the year ended 31 December 2015

Principal activity

The Company is a holding company incorporated in England and Wales, the Group is Partnerships in Care UK 2 Limited, which provides mental healthcare services

Results and dividends

The loss for the year, after taxation, amounted to £1,021,000 (2014 - loss £18,396,000)

The directors do not recommend the payment of a dividend

Directors

The directors who served during the year were

Christopher Howard
Joey Jacobs

Future developments

PiC's ownership by Acadia Healthcare is enabling us to further extend our care pathways that meet patient and commissioner needs. For the immediate future, we remain optimistic about our partnership working with the NHS, and we are committed to delivering the highest quality of care, extending our patient care pathways, innovation and new ways of working, and high levels of staff and patient engagement, so that we maintain our position as a leader in the specialist healthcare sector

Employee involvement

The Group nurtures commitment and excellence in its staff by encouraging the active involvement of all staff at all levels in the organisation's primary objective of improving patient care. Staff are encouraged to strive continually for improvements in all aspects of the business and to be active members of the team in which they work. All levels of staff engage in the 'Listen, share, learn and have your say' events held across the UK, which involve patients and family/carers. We give two-way internal communication high priority, with staff able to contribute their ideas centrally and give their views on new developments.

We strive continually to get higher levels of staff retention, to promote equality and diversity in our workforce, and to support self-development where consistent with the organisation's objectives.

Disabled employees

The Group recognises that it has clear obligations towards all its employees and the community at large to ensure that people with disabilities are afforded equal opportunities to enter employment and to progress within the Group.

In addition to complying with the requirements of the Equality Act 2010, the Group has established procedures designed to provide for fair consideration and selection of disabled applicants and to satisfy their training and career development needs. Where employees become disabled in the course of their employment, the Group will attempt to ensure they remain in employment by making reasonable adjustments to accommodate their disability.

Disclosure 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 and the Group'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 relevant audit information and to establish that the Company and the Group's auditors are aware of that information

Partnerships in Care UK 2 Limited

Directors' report For the Year Ended 31 December 2015

Going concern

The group's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, and its exposures to price, credit, liquidity and interest rate risk are described in the Strategic Report on pages 1 to 2

The group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

Post balance sheet events

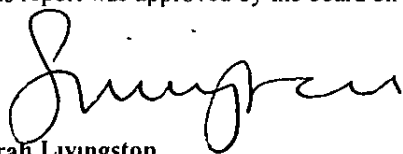
On 16 February 2016, Whitewell UK Investments 1 Limited, a member of the same corporate group as the Company, acquired the entire issued share capital of Priory Group No 1 Limited (the "Acquisition"). The corporate group was restructured as part of the Acquisition which involved the contribution of the entire issued share capital of the Company by Partnerships in Care UK 1 Limited to Whitewell UK Holding Company 1 limited in consideration for the issue of two ordinary shares in the capital of Whitewell UK Holding Company 1 Limited to Partnerships in Care UK 1 Limited. As a result of the restructuring, the Company's immediate parent company is now Whitewell UK Holding Company 1 Limited. The Company's ultimate parent company has not changed and is still Acadia Healthcare Company, Inc.

On 14 July 2016, the UK Competition and Markets Authority decided that proposed merger between the Partnerships in Care group and the Priory Group (which has the same ultimate parent company as the Partnerships in Care group) cannot proceed unless Acadia Healthcare Company offers acceptable undertakings. The undertakings offered by Acadia Healthcare Company was the sale of seven hospitals within the Partnerships in Care Group. As of the date of signing, a buyer has not been found, however the process is expected to complete in November 2016.

Auditors

Under section 487(2) of the Companies Act 2006, Ernst & Young LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 27 September 2016 and signed on its behalf



Sarah Livingston
Company Secretary

2 Imperial Place
Maxwell Road
Borehamwood
Hertfordshire
WD6 1JN

Partnerships in Care UK 2 Limited

Directors' responsibilities statement For the Year Ended 31 December 2015

The directors are responsible for preparing the Group 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 elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 the Group and of the profit or loss of the Group for that year. In preparing these financial statements, the directors are required to

- select suitable accounting policies for the Group financial statements and then apply them consistently,
- make judgments 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 Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the shareholders of Partnerships in Care UK 2 Limited

We have audited the financial statements of Partnerships in Care UK 2 Limited for the year ended 31 December 2015, which comprise of the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity and the related notes 1 - 29. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' responsibilities statement set out on page 5, 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 Financial Reporting Council's Ethical Standards for Auditors.

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 Group's and the parent 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 Group strategic report and the Directors' 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.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2015 and of the Group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting standard applicable in the UK and Republic of Ireland', 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 Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and the directors' report has been prepared in accordance with applicable legal requirements.

Partnerships in Care UK 2 Limited

Independent auditors' report to the shareholders of Partnerships in Care UK 2 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

ERNST & YOUNG LLP

Chris Nobbs (Senior statutory auditor)

for and on behalf of
Ernst & Young LLP

Statutory Auditors

Luton

Date 29 SEPTEMBER 2016

Partnerships in Care UK 2 Limited

**Consolidated income statement
For the Year Ended 31 December 2015**

		31 December 2015 £000	Period 28 May to 31 December 2014 £000
	Note		
Turnover	3	235,955	92,907
Cost of sales		(158,781)	(59,619)
Gross profit		77,174	33,288
Administrative expenses		(52,024)	(17,822)
Exceptional administrative expenses		-	(13,087)
Other operating charges		(8,940)	(7,238)
Operating profit/(loss)	4	16,210	(4,859)
Interest receivable and similar income		22	24
Interest payable and expenses	9	(10,169)	(18,016)
Other finance expenses		(221)	(137)
Profit/(loss) before tax		5,842	(22,988)
Tax on profit/(loss)	11	(6,863)	4,592
Loss for the year		(1,021)	(18,396)

The notes on pages 15 to 39 form part of these financial statements

All amounts relate to continuing operations

Partnerships in Care UK 2 Limited

Consolidated statement of comprehensive income
For the Year Ended 31 December 2015

	31 December 2015 £000	Period 28 May to 31 December 2014 £000
Profit for the financial period	(1,021)	(18,396)
Other comprehensive income		
Actuarial gain on defined benefit schemes	(1,924)	(1,661)
Movement on deferred tax relating to pension gains	349	357
Other comprehensive income for the year/period	(1,575)	(1,304)
Total comprehensive income for the year	(2,596)	(19,700)

Partnerships in Care UK 2 Limited

**Consolidated statement of changes in equity
For the Year Ended 31 December 2015**

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
At 1 January 2015	78,124	234,372	(19,700)	292,796
- Loss for the year -	-	-	(1,021)	(1,021)
Actuarial losses on pension scheme	-	-	(1,575)	(1,575)
Total comprehensive income for the year	-	-	(2,596)	(2,596)
Shares issued during the year	25,088	75,264	-	100,352
At 31 December 2015	103,212	309,636	(22,296)	390,552

**Consolidated statement of changes in equity
For the Period Ended 31 December 2014**

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
At 28 May 2014	-	-	-	-
Loss for the period	-	-	(18,396)	(18,396)
Actuarial losses on pension scheme	-	-	(1,304)	(1,304)
Total comprehensive income for the period	-	-	(19,700)	(19,700)
Shares issued during the period	78,124	234,372	-	312,496
At 31 December 2014	78,124	234,372	(19,700)	292,796

Partnerships in Care UK 2 Limited

**Company statement of changes in equity
For the Year Ended 31 December 2015**

	Share capital	Share premium	Retained earnings	Total equity
	£000	£000	£000	£000
At 1 January 2015	78,124	234,372	5,247	317,743
Profit for the year	-	-	15,847	15,847
Total comprehensive income for the year	-	-	15,847	15,847
Shares issued during the year	25,088	75,264	-	100,352
At 31 December 2015	103,212	309,636	21,094	433,942

**Company statement of changes in equity
For the Year Ended 31 December 2014**

	Share capital	Share premium	Retained earnings	Total equity
	£000	£000	£000	£000
At 28 May 2014	-	-	-	-
Profit for the period	-	-	5,247	5,247
Total comprehensive income for the period	-	-	5,247	5,247
Shares issued during the period	78,124	234,372	-	312,496
At 31 December 2014	78,124	234,372	5,247	317,743

Partnerships in Care UK 2 Limited
Registered number 9059930

Consolidated statement of financial position
As at 31 December 2015

	Note	2015 £000	2014 £000
Intangible assets	12	90,161	30,960
Tangible assets	13	563,069	384,549
		<u>653,230</u>	<u>415,509</u>
Current assets			
Stocks	16	693	607
Debtors	17	17,585	8,226
Cash at bank and in hand		5,535	9,843
		<u>23,813</u>	<u>18,676</u>
Creditors amounts falling due within one year	18	(21,403)	(11,519)
Net current assets		<u>2,410</u>	<u>7,157</u>
Total assets less current liabilities		<u>655,640</u>	<u>422,666</u>
Creditors amounts falling due after more than one year	19	(225,225)	(100,470)
Deferred tax liability	20	(32,884)	(23,249)
Net assets excluding pension liability		<u>397,531</u>	<u>298,947</u>
Defined benefit pension liability	25	(6,979)	(6,151)
Net assets		<u><u>390,552</u></u>	<u><u>292,796</u></u>
Capital and reserves			
Called up share capital	22	103,212	78,124
Share premium account	21	309,636	234,372
Profit and loss account	21	(22,296)	(19,700)
Shareholders' funds		<u><u>390,552</u></u>	<u><u>292,796</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

27 September 2016



Christopher Howard
Director

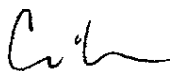
The notes on pages 15 to 39 form part of these financial statements

Partnerships in Care UK 2 Limited
Registered number 9059930

Company statement of financial position
As at 31 December 2015

	Note	2015 £000	2014 £000
Fixed assets			
Investments	15	-	-
Current assets			
Debtors	17	659,167	418,213
Total assets less current liabilities		<u>659,167</u>	<u>418,213</u>
Creditors	19	(225,225)	(100,470)
Net assets		<u>433,942</u>	<u>317,743</u>
Capital and reserves			
Called up share capital	22	103,212	78,124
Share premium account	21	309,636	234,372
Profit and loss account	21	21,094	5,247
Shareholders' funds		<u>433,942</u>	<u>317,743</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on



27 September 2016

Christopher Howard
Director

The notes on pages 15 to 39 form part of these financial statements

Partnerships in Care UK 2 Limited

Notes to the financial statements For the Year Ended 31 December 2015

1. General information

Partnerships in Care UK 2 Limited is a holding company incorporated in England and Wales, the Group is Partnerships in Care UK 2 Limited, which provides mental healthcare services. The Registered Office is 2 Imperial Place, Maxwell Road, Borehamwood, WD6 1JN.

The group financial statements have been prepared in compliance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006 as it applies to the financial statements of the Group for the year ended 31 December 2015.

The group transitioned from previously extant UK GAAP to FRS 102 as at 1 January 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 29.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements are prepared in sterling which is the functional currency of the group and rounded to the nearest £'000.

2.2 Basis of consolidation

The consolidated financial statements present the results of Group and its own subsidiaries ("the Group") as they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full. No income statement is presented for Partnerships in Care UK 2 Limited as permitted by section 408 of the Companies Act 2006. The profit after tax of the parent Company for the year was £15,847,000 (2014 - £5,247,000).

The consolidated financial statements present the results of Group and its own subsidiaries ("the Group") as they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated income statement from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 January 2015. Therefore, the Group continues to recognise a merger reserve which arose on a past business combination that was accounted for as a merger in accordance with UK GAAP as applied at that time.

Notes to the financial statements
For the Year Ended 31 December 2015

2 Accounting policies (continued)

2.3 Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Goodwill and intangible assets

The Group establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Pension and other post-employment benefits

The cost of defined benefit pension plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note 25.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably,
- it is probable that the Group will receive the consideration due under the contract,
- the stage of completion of the contract at the end of the reporting period can be measured reliably, and,
- the costs incurred and the costs to complete the contract can be measured reliably.

Notes to the financial statements
For the Year Ended 31 December 2015

2. Accounting policies (continued)

2.5 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Income statement over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- over 50 years straight line
Plant & machinery	- over 7 to 10 years straight line
Motor vehicles	- over 4 years straight line
Fixtures & fittings	- over 5 to 10 years straight line
Computer equipment	- over 3 to 7 years straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Income Statement.

2.7 Operating leases - Lessee

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

Notes to the financial statements
For the Year Ended 31 December 2015

2. Accounting policies (continued)

2.8 Valuation of investments

Investments in subsidiaries are valued at cost less provision for impairment. The carrying value of investments are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable.

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.12 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

2.13 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.14 Finance costs

Finance costs are charged to the Income statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Notes to the financial statements
For the Year Ended 31 December 2015

2 Accounting policies (continued)

2.15 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payments obligations.

The contributions are recognised as an expense in the Income statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

Defined benefit pension plan

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the 31 December 2015 less the fair value of plan assets at the reporting date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period, and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

2.16 Interest income

Interest income is recognised in the Income statement using the effective interest method.

Notes to the financial statements
For the Year Ended 31 December 2015

2 Accounting policies (continued)

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation

Provisions are charged as an expense to the Income statement in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties

When payments are eventually made, they are charged to the provision carried in the Statement of financial position

2.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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 and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits,
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met, and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.19 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

2.20 Cash flow

The Group, being a wholly owned subsidiary undertaking within a group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 102.

Partnerships in Care UK 2 Limited

Notes to the financial statements For the Year Ended 31 December 2015

2 Accounting policies (continued)

2.21 Related Party Disclosure

As the Company is a wholly owned subsidiary of Partnerships in Care UK 1 Limited, the Company has taken advantage of the exemption contained within FRS102 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties)

3 Analysis of turnover

The whole of the turnover is attributable to the provision of healthcare services, therefore there is only one class of business

All turnover arose within the United Kingdom

4 Operating profit / (loss)

The operating profit / (loss) is stated after charging

	31 December 2015 £000	Period 28 May to 31 December 2014 £000
Depreciation of tangible fixed assets	14,582	5,813
Amortisation of intangible assets, including goodwill	15,654	3,268
Exchange differences	8,940	7,238
Other operating lease rentals	1,228	488
Defined contribution pension cost	1,467	1,473
	<u> </u>	<u> </u>

During the year, no director received any emoluments (2014 - £NIL)

5. Auditors' remuneration

	31 December 2015 £000	Period 28 May to 31 December 2014 £000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	276	97
	<u> </u>	<u> </u>

Partnerships in Care UK 2 Limited

Notes to the financial statements For the Year Ended 31 December 2015

6 Exceptional items

	31 December 2015 £000	Period 28 May to 31 December 2014 £000
Management incentive payment	-	13,087

As a result of the acquisition of the Group by Acadia Healthcare Company Inc certain members of the management team received a payment under the terms of the management incentive plan

7. Employees

Staff costs, including directors' remuneration, were as follows

	31 December 2015 £000	Period 28 May to 31 December 2014 £000
Wages and salaries	120,442	44,515
Social security costs	10,988	4,275
Staff pension costs	1,467	1,473
	<u>132,897</u>	<u>50,263</u>

The average monthly number of employees, including the directors, during the year was as follows

	31 December 2015 No	Period 28 May to 31 December 2014 No
Operations	4,232	2,789
Administration	517	474
	<u>4,749</u>	<u>3,263</u>

8 Directors' remuneration

During the year, no director received any emoluments (2014 - NIL) The directors are remunerated by Acadia Healthcare company Inc as their services to the Company are merely incidental to their services in other companies

Partnerships in Care UK 2 Limited

Notes to the financial statements
For the Year Ended 31 December 2015

9 Interest payable and similar charges

	31 December 2015 £000	Period 28 May to 31 December 2014 £000
Bank interest payable	-	420
Other loan interest payable	10,169	3,727
Accelerated amortisation of debt issue costs	-	13,869
	<u>10,169</u>	<u>18,016</u>

10. Other finance costs

	31 December 2015 £000	Period 28 May to 31 December 2014 £000
Net interest on net defined benefit liability	(1,550)	(908)
Expected return on pension scheme assets	1,329	771
	<u>(221)</u>	<u>(137)</u>

11. Taxation

	31 December 2015 £000	Period 28 May to 31 December 2014 £000
Corporation tax		
Current tax on profits for the year	3,477	-
Adjustments in respect of previous periods	34	-
Total current tax	<u>3,511</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	2,304	(4,592)
Changes to tax rates	1,120	-
Adjustments in respect of prior periods	(72)	-
Total deferred tax	<u>3,352</u>	<u>(4,592)</u>
Taxation on profit/(loss) on ordinary activities	<u>6,863</u>	<u>(4,592)</u>

Partnerships in Care UK 2 Limited

Notes to the financial statements For the Year Ended 31 December 2015

11 Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year/period is higher than (2014 - lower than) the standard rate of corporation tax in the UK of 20.25% (2014 - 21%). The differences are explained below

	31 December 2015 £000	Period 28 May to 31 December 2014 £000
Profit on ordinary activities before tax	5,842	(22,988)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21%)	1,183	(4,827)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	2,065	807
Depreciation on non-qualifying fixed assets	1,850	289
Adjustments to tax charge in respect of prior periods	(33)	-
Deferred tax not recognised	90	-
Losses from parent company	-	(80)
Changes in provisions leading to an increase (decrease) in the tax charge	(66)	-
Other differences leading to an increase (decrease) in the tax charge	2,442	(781)
Group relief	(668)	-
Total tax charge for the year	6,863	(4,592)

Factors that may affect future tax charges

The level of disallowable expenses and utilisation of tax losses carried forward will impact future tax charges

Future reductions in the UK corporation tax rates will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2015 has been calculated based on the rate of 18% substantively enacted at the balance sheet date.

Partnerships in Care UK 2 Limited

Notes to the financial statements
For the Year Ended 31 December 2015

12. Intangible assets

Group

	Goodwill £000
Cost	
At 1 January 2015	34,400
Additions	14,410
On acquisition of subsidiaries	60,445
At 31 December 2015	<u>109,255</u>
Amortisation	
At 1 January 2015	3,440
Charge for the year	15,654
At 31 December 2015	<u>19,094</u>
Net book value	
At 31 December 2015	<u>90,161</u>
At 31 December 2014	<u>30,960</u>

On 3 February 2015, the Group acquired the trade and assets of Fern Lodge for consideration of £853,000

On 1 April, 2015 the Group acquired 100% of the share capital of Pastoral Cymru Care Group Limited, Pastoral Cymru Limited and Pastoral Cymru (Cardiff) Limited for consideration of £23,207,000. All three companies are registered in England and Wales.

On 1 April 2015 the Group acquired the trade and assets of Mildmay Oaks for consideration of £10,479,000

On 2 April 2015, the Group acquired 100% of the share capital of Bromley Road Limited, Ivydene Willenhall Limited and Price Care Choice Limited for consideration of £25,797,000. All three companies are registered in England and Wales.

On 1 June 2015 the Group acquired 100% of the share capital of City Road Edgebaston Limited and Brunswick Birmingham Limited for consideration of £17,111,000. Both companies are registered in England and Wales.

On 1 June 2015 the Group acquired 100% of the share capital of Care UK Mental Health Partnerships Limited for consideration of £59,999,000. The company is registered in England and Wales.

On 1 July 2015 the Group acquired 100% of the share capital of The Manor Clinic Limited for consideration of £3,859,000. The company is registered in England and Wales.

Partnerships in Care UK 2 Limited

Notes to the financial statements For the Year Ended 31 December 2015

Intangible Assets (continued)

On 1 September 2015 the Group acquired 100% of the share capital of Manor Hall Specialist Care Partnerships Limited and GJP Deanstone Limited for consideration of £9,141,000. Both companies are registered in England and Wales.

On 1 September 2015 the Group acquired 100% of the share capital of H&SCP Oak Vale Gardens Limited, Oak Vale Gardens 2012 Limited, GJP Liverpool Limited, H&SCP Vancouver House Limited, Vancouver House 2009 Limited and Aragon Care Vancouver Limited for consideration of £17,105,000. All six companies are registered in England and Wales.

On 1 September 2015 the Group acquired the trade and assets of Hops Hill, Ellingham and Knightsbridge hospitals for a consideration of £40,211,000.

On 2 October 2015 the Group acquired 100% of the share capital of Glentworth House Limited for consideration of £4,720,000. The company is registered in England and Wales.

On 1 November 2015 the Group acquired 100% of the share capital of H&SCP Cleveland House Limited, Cleveland House Limited and GJP Greaves Limited for consideration of £6,672,000. All three companies are registered in England and Wales.

Goodwill

	Book Value £000	Provisional fair value adjustment £000	Fair Value £000
Tangible fixed assets	77,680	33,535	111,215
Debtors	4,696	-	4,696
Cash	3,114	-	3,114
Creditors	(5,225)	-	(5,225)
Deferred tax	(6,633)	-	(6,633)
Net Assets	73,632	33,535	107,167
Consideration			167,612
Goodwill			60,445

13 Tangible fixed assets

Group

	Freehold property £000	Plant & machinery £000	Motor vehicles £000	Fixtures & fittings £000	Computer equipment £000	Total £000
Cost or valuation						
At 1 January 2015	375,456	4,274	761	6,664	3,533	390,688
Additions	87,393	3,142	563	6,755	2,407	100,260
Acquisition of subsidiary	87,760	2,840	20	2,071	179	92,870
Disposals	(131)	(502)	(40)	(256)	-	(929)
At 31 December 2015	550,478	9,754	1,304	15,234	6,119	582,889
Depreciation						
At 1 January 2015	4,235	342	120	936	506	6,139
Charge owned for the period	9,552	2,526	314	1,048	1,142	14,582
Disposals	(130)	(482)	(40)	(249)	-	(901)
At 31 December 2015	13,657	2,386	394	1,735	1,648	19,820
Net book value						
At 31 December 2015	536,821	7,368	910	13,499	4,471	563,069
At 31 December 2014	371,222	3,932	641	5,728	3,026	384,549

Partnerships in Care UK 2 Limited

Notes to the financial statements For the Year Ended 31 December 2015

14 Subsidiary undertakings

The following were subsidiary undertakings of the Company

Company name	Country	Percentage Shareholding	Principal Activity
Partnerships in Care Investments 1 Limited	England and Wales	100%	Holding company for trading and property holding companies
Partnerships in Care Management Limited	England and Wales	100%	Holding company for trading companies
Partnerships in Care Limited	England and Wales	100%	Mental healthcare services
Partnerships in Care Scotland Limited	England and Wales	100%	Mental healthcare services
Oaktree Care Group Limited	England and Wales	100%	Mental healthcare services
Partnerships in Care (Schools) Limited	England and Wales	100%	Mental healthcare services
Partnerships in Care Management 2 Limited	England and Wales	100%	Holding company for trading companies
Partnerships in Care (2016) Limited	England and Wales	100%	Mental healthcare services
Partnerships in Care (Ivydene) Limited	England and Wales	100%	Mental healthcare services
Partnerships in Care (Albion) Limited	England and Wales	100%	Mental healthcare services
Partnerships in Care (Brunswick) Limited	England and Wales	100%	Mental healthcare services
Partnerships in Care (Beverley) Limited	England and Wales	100%	Mental healthcare services
The Manor Clinic Limited	England and Wales	100%	Mental healthcare services
Manor Hall Specialist Care Partnerships Limited	England and Wales	100%	Mental healthcare services
Glentworth House Limited	England and Wales	100%	Mental healthcare services
Partnerships in Care 1 Limited	England and Wales	100%	Mental healthcare services
Partnerships in Care (Nelson) Limited	England and Wales	100%	Mental healthcare services
Partnerships in Care (Pastoral) Limited	England and Wales	100%	Holding company for trading companies
Partnerships in Care (Rhondda) Limited	England and Wales	100%	Mental healthcare services
Partnerships in Care (Cardiff) Limited	England and Wales	100%	Mental healthcare services
Partnerships in Care (Oak Vale) Holding Company Limited	England and Wales	100%	Holding company for trading companies
Partnerships in Care (Oak Vale) Limited	England and Wales	100%	Mental healthcare services
Partnerships in Care (Oak Vale) Property Holding Company Limited	England and Wales	100%	Property holding company
Partnerships in Care (Vancouver) Holding Company Limited	England and Wales	100%	Holding company for trading companies
Partnerships in Care (Vancouver) Limited	England and Wales	100%	Mental healthcare services
Partnerships in Care (Vancouver) Property Holding Company Limited	England and Wales	100%	Property holding company
Partnerships in Care (Cleveland) Holding Company Limited	England and Wales	100%	Holding company for trading companies
Partnerships in Care (Cleveland) Limited	England and Wales	100%	Mental healthcare services
Partnerships in Care (Cleveland) Property Holding Company Limited	England and Wales	100%	Property holding company
Partnerships in Care Property Holding Company Limited	England and Wales	100%	Holding company for property companies
Partnerships in Care Property 1 Limited	England and Wales	100%	Property holding company
Partnerships in Care Investments 2 Limited	England and Wales	100%	Property holding company
Partnerships in Care Property 2 Limited	England and Wales	100%	Property holding company
Partnerships in Care Property 3 Limited	England and Wales	100%	Property holding company

Partnerships in Care UK 2 Limited

Notes to the financial statements For the Year Ended 31 December 2015

Subsidiary undertakings (continued)

Company name	Country	Percentage shareholding	Principal Activity
Partnerships in Care Property 4 Limited	England and Wales	100%	Property holding company
Partnerships in Care Property 5 Limited	England and Wales	100%	Property holding company
Partnerships in Care Property 6 Limited	England and Wales	100%	Property holding company
Partnerships in Care Property 7 Limited	England and Wales	100%	Property holding company
Partnerships in Care Property 8 Limited	England and Wales	100%	Property holding company
Partnerships in Care Property 9 Limited	England and Wales	100%	Property holding company
Partnerships in Care Property 10 Limited	England and Wales	100%	Property holding company
Partnerships in Care Property 11 Limited	England and Wales	100%	Property holding company
Partnerships in Care Property 12 Limited	England and Wales	100%	Property holding company
Partnerships in Care Property 13 Limited	England and Wales	100%	Property holding company
Partnerships in Care Property 14 Limited	England and Wales	100%	Property holding company
Partnerships in Care Property 15 Limited	England and Wales	100%	Property holding company
Partnerships in Care Property 16 Limited	England and Wales	100%	Property holding company
Partnerships in Care Property 17 Limited	England and Wales	100%	Property holding company
Partnerships in Care Property 18 Limited	England and Wales	100%	Property holding company
Partnerships in Care Property 19 Limited	England and Wales	100%	Property holding company
Partnerships in Care Property 20 Limited	England and Wales	100%	Property holding company
Partnerships in Care Property 21 Limited	England and Wales	100%	Property holding company
Partnerships in Care Property 22 Limited	England and Wales	100%	Property holding company
Partnerships in Care Property 23 Limited	England and Wales	100%	Property holding company
Partnerships in Care Property 24 Limited	England and Wales	100%	Property holding company
Partnerships in Care Property 25 Limited	England and Wales	100%	Property holding company
Partnerships in Care Property 26 Limited	England and Wales	100%	Property holding company
Partnerships in Care Property 27 Limited	England and Wales	100%	Property holding company
Partnerships in Care Property 28 Limited	England and Wales	100%	Property holding company
Partnerships in Care Property 29 Limited	England and Wales	100%	Property holding company
Partnerships in Care Property 30 Limited	England and Wales	100%	Property holding company
Partnerships in Care Property 31 Limited	England and Wales	100%	Property holding company

15. Fixed asset investments

Company	Investment in subsidiary companies £
Cost	
At 1 January 2015	1
Additions	-
At 31 December 2015	<u>1</u>
Net book Value	
At 31 December 2015	<u>1</u>
At 31 December 2014	<u>1</u>

Partnerships in Care UK 2 Limited

Notes to the financial statements For the Year Ended 31 December 2015

16. Stocks

	Group 2015 £000	Group 2014 £000	Company 2015 £000	Company 2014 £000
Finished goods and goods for resale	693	607	-	-
	<u>693</u>	<u>607</u>	<u>-</u>	<u>-</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material

Stock recognised in cost of sales during the year as an expense was £9,135,000 (2015 £7,900,000)

Partnerships in Care UK 2 Limited

**Notes to the financial statements
For the Year Ended 31 December 2015**

17. Debtors

	Group 2015 £000	Group 2014 £000	Company 2015 £000	Company 2014 £000
Trade debtors	10,937	4,311	-	-
Amounts owed by group undertakings	-	-	659,167	418,213
Other debtors	1,647	268	-	-
Prepayments and accrued income	5,001	3,647	-	-
	<u>17,585</u>	<u>8,226</u>	<u>659,167</u>	<u>418,213</u>

Amounts owed by group undertakings includes an unsecured loan of £600,499,000 (2014 - £402,000,000) to Partnerships in Care Investments 1 Limited with interest at 6.8% per annum which is repayable on demand. The directors have assessed the fair market value of the loan to be consistent with its book value.

18. Creditors: Amounts falling due within one year

	Group 2015 £000	Group 2014 £000	Company 2015 £000	Company 2014 £000
Trade creditors	173	1,213	-	-
Amounts owed to group undertakings	1,346	-	-	-
Corporation tax	4,154	-	-	-
Taxation and social security	3,660	2,555	-	-
Other creditors	1,364	1,490	-	-
Accruals and deferred income	10,706	6,261	-	-
	<u>21,403</u>	<u>11,519</u>	<u>-</u>	<u>-</u>

19. Creditors: Amounts falling due after more than one year

	Group 2015 £000	Group 2014 £000	Company 2015 £000	Company 2014 £000
Amounts owed to group undertakings	225,225	100,470	225,225	100,470
	<u>225,225</u>	<u>100,470</u>	<u>225,225</u>	<u>100,470</u>

Amounts owed to group undertakings includes an unsecured loan of \$311,750,000 (2014 - \$150,000,000) (£210,613,000 2014 - £96,574,000) from Partnerships in Care UK 1 Limited with interest at 6.8% per annum which is repayable 1 July 2022. The directors have assessed the fair market value of the loan to be consistent with its book value.

Partnerships in Care UK 2 Limited

Notes to the financial statements
For the Year Ended 31 December 2015

20 Deferred taxation

Group

Deferred tax
£000

At 1 January 2015	(23,249)
Charged to the profit or loss	(3,351)
Charged to other comprehensive income	349
Arising on business combinations	(6,633)
At 31 December 2015	(32,884)

The deferred tax asset / (liability) is made up as follows

	Group 2015 £000	Group 2014 £000
Accelerated capital allowances	(3,998)	(2,777)
Tax losses carried forward	2,355	4,169
Short term timing differences	(31,250)	(24,641)
Other items	9	-
	(32,884)	(23,249)

21 Reserves

Share premium

This reserve records the amount above the nominal value received for shares sold, less transaction costs

Profit & loss account

The profit and loss account includes all current and prior period retained profit and losses

22 Share capital

	2015 £000	2014 £000
Allotted, called up and fully paid		
103,211,999 (2014 - 78,124,042) Ordinary shares of £1 each	103,212	78,124

During the year the Company issued 25,087,957 ordinary £1 shares for consideration of £100,352,000

Partnerships in Care UK 2 Limited

Notes to the financial statements For the Year Ended 31 December 2015

23 Contingent liabilities and S479A Companies Act 2006 exemption

The Company has provided a guarantee in respect of the outstanding liabilities of the subsidiary companies listed below in accordance with sections 479A - 479C of the Companies Act 2006, as these UK subsidiary companies of the Group are exempt from the requirements of the Companies Act 2006 relating to the audit of the accounts by virtue of Section 479A of this Act

Partnerships in Care Investments 1 Limited - Register Number 7773948 -
Partnerships in Care Management Limited - Register Number 5401308
Partnerships in Care Limited - Register Number 2622784
Oaktree Care Group Limited - Register Number 4785303
Partnerships in Care Scotland Limited - Register Number 4727112
Partnerships in Care Management 2 Limited - Register Number 9489130
Partnerships in Care (Ivydene) Limited - Register Number 7263526
Partnerships in Care (Albion) Limited - Register Number 3671946
Partnerships in Care (Brunswick) Limited - Register Number 7507166
Partnerships in Care (Beverley) Limited - Register Number 7155722
The Manor Clinic Limited - Register Number 6084605
Manor Hall Specialist Care Partnerships Limited - Register Number SC445897
Glentworth House Limited - Register Number 5075900
Partnerships in Care 1 Limited - Register Number 1833385
Partnerships in Care (Nelson) Limited - Register Number 7294608
Partnerships in Care (Pastoral) Limited - Register Number 7224362
Partnerships in Care (Rhondda) Limited - Register Number 5715589
Partnerships in Care (Cardiff) Limited - Register Number 5722804
Partnerships in Care (Oak Vale) Limited - Register Number 8135440
Partnerships in Care (Oak Vale) Holding Company Limited - Register Number 8390458
Partnerships in Care (Oak Vale) Property Holding Company Limited - Register Number 7910544
Partnerships in Care (Vancouver) Limited - Register Number 6970725
Partnerships in Care (Vancouver) Holding Company Limited - Register Number 8211574
Partnerships in Care (Vancouver) Property Holding Company Limited - Register Number 6244563
Partnerships in Care (Cleveland) Limited - Register Number 8671457
Partnerships in Care (Cleveland) Holding Company Limited - Register Number 8917740
Partnerships in Care (Cleveland) Property Holding Company Limited - Register Number 8457596
Partnerships in Care Property Holding Company Limited - Register Number 5448019
Partnerships in Care Investments 2 Limited - Register Number 7773953
Partnerships in Care Property 1 Limited - Register Number 5403392
Partnerships in Care Property 2 Limited - Register Number 5406092
Partnerships in Care Property 3 Limited - Register Number 5406109
Partnerships in Care Property 4 Limited - Register Number 5406112
Partnerships in Care Property 5 Limited - Register Number 5406117
Partnerships in Care Property 6 Limited - Register Number 5406120
Partnerships in Care Property 7 Limited - Register Number 5406122
Partnerships in Care Property 8 Limited - Register Number 5406123
Partnerships in Care Property 9 Limited - Register Number 5406127
Partnerships in Care Property 10 Limited - Register Number 5406132
Partnerships in Care Property 11 Limited - Register Number 5406140
Partnerships in Care Property 12 Limited - Register Number 5406148
Partnerships in Care Property 13 Limited - Register Number 5406155
Partnerships in Care Property 14 Limited - Register Number 5406163
Partnerships in Care Property 15 Limited - Register Number 5406176
Partnerships in Care Property 16 Limited - Register Number 5510031
Partnerships in Care Property 17 Limited - Register Number 5613363
Partnerships in Care Property 18 Limited - Register Number 5613375
Partnerships in Care Property 19 Limited - Register Number 5613394
Partnerships in Care Property 20 Limited - Register Number 5613407
Partnerships in Care Property 21 Limited - Register Number 5613357

Partnerships in Care UK 2 Limited

Notes to the financial statements For the Year Ended 31 December 2015

Contingent liabilities and S479A Companies Act 2006 exemption (continued)

Partnerships in Care Property 22 Limited - Register Number 5852397
Partnerships in Care Property 23 Limited - Register Number 5852393
Partnerships in Care Property 24 Limited - Register Number 5852391
Partnerships in Care Property 25 Limited - Register Number 5852377
Partnerships in Care Property 31 Limited - Register Number 7916205

The Company's parent company, Partnerships in Care UK 1 Limited, has given a pledge to Bank of America Merrill Lynch over 65% of the Company's share capital. In addition the parent company has given a further pledge to Bank of America Merrill Lynch over 100% of the value of the loan it has made to the Company

24 Capital commitments

At 31 December 2015 the Group had capital commitments as follows

	Group 2015 £000	Group 2014 £000
Contracted for but not provided in these financial statements	17,643	4,109

Partnerships in Care UK 2 Limited

Notes to the financial statements For the Year Ended 31 December 2015

25. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £1,467,000 (2014 - £1,013,000). Contributions totaling £329,000 (2014 - £200,000) were payable to the fund at the balance sheet date and are included in creditors.

The Group operates a defined benefit pension scheme.

The Group operates a defined benefits pension scheme in the UK, the Partnerships in Care Limited Pension and Life assurance Plan. The Plan was closed to future accrual from 1 May 2015, at this date, all members who were actively accruing benefits in the plan became deferred members. The disclosures set out below are based on calculations carried out as at 31 December 2015 by a qualified independent actuary.

The assets are held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The trustees of the Plan are required to act in the best interest of the Plan's beneficiaries. The appointment of members of the trustee board is determined by the trust documentation.

The liabilities of the Plan are measured by discounting the best estimate of future cash flows to be paid out of the Plan using the projected unit method. This amount is reflected in the shareholders' funds in the balance sheet. The projected unit method is an accrued benefits valuation method in which the Plan's liabilities make allowance for projected earnings.

The liabilities set out in this note have been calculated based on the most recent full actuarial valuation at 31 December 2013, updated to 31 December 2015. The results of the calculations and the assumptions adopted are shown below.

As at 31 December 2015, contributions are payable to the Plan at the rates set out in the latest schedule of contributions, dated 27 March 2015. The total employer contributions expected to be made in the year commencing 1 January 2016 consist of shortfall contributions amounting to £600,000. In addition, the employer will directly meet the administration expenses of the Plan, including any levies payable to the Pensions Regulator and the Pension Protection Fund.

	2015 £000	2014 £000
Fair value of scheme assets	32,277	36,928
Present value of funded obligations	(39,256)	(43,079)
Net pension scheme liability	(6,979)	(6,151)

Partnerships in Care UK 2 Limited

Notes to the financial statements
For the Year Ended 31 December 2015

25 Pension commitments (continued)

The amounts recognised in profit or loss are as follows

	2015 £000	2014 £000
Current service cost	254	349
Administration costs	149	98
Past service cost including curtailments	(898)	-
Net interest on net defined benefit liability	221	118
Total	(274)	565

Reconciliation of fair value of plan liabilities were as follow

	2015 £000	2014 £000
Opening defined benefit obligation	43,079	-
Current service cost	254	349
Interest cost	1,550	889
Contributions by scheme participants	73	101
Actuarial (gains) and losses	(3,631)	2,949
Past service costs including curtailments	(898)	-
Administration costs	149	97
Liabilities assumed in a business combination	-	(39,038)
Benefits paid	(1,320)	(344)
Closing defined benefit obligation	39,256	43,079

Reconciliation of fair value of plan assets were as follows

	2015 £000	2014 £000
Opening fair value of scheme assets	36,928	-
Interest income on plan assets	1,329	752
Return on scheme assets excluding interest income	(5,555)	1,287
Contributions by employer	822	528
Contributions by scheme participants	73	101
Assets acquired in a business combination	-	34,604
Benefits paid	(1,320)	(344)
	32,277	36,928

Partnerships in Care UK 2 Limited

Notes to the financial statements For the Year Ended 31 December 2015

25 Pension commitments (continued)

Actuarial assumptions

The principal actuarial assumptions at the balance sheet date were

	2015	2014
Discount rate	3.75%	3.60%
Price inflation (RPI)	3.20%	3.35%
Price inflation (CPI)	2.20%	2.35%
Retirement age	65	65
Expected return on scheme assets	3.75%	3.60%
Commutation	75% of HMRC maximum S2NA CMI 2015	12.5% of pension S2NA CMI 2013
Mortality	1%, -1 age rating	1%, -1 age rating

Asset Breakdown

The major categories of scheme assets as a percentage of total scheme assets are as follows

	2015	2014
Equities	27.0%	26.2%
Gilts	4.4%	16.1%
Bonds	0%	28.6%
Real Return Fund	28.6%	27.8%
Insurance Policy	38.1%	0%
Cash	1.9%	1.3%

26. Commitments under operating leases

At 31 December 2015 the Group had future minimum lease payments under non-cancellable operating leases as follows

	Group 2015 £000	Group 2014 £000
Not later than 1 year	590	50
Later than 1 year and not later than 5 years	1,007	1,737
Total	1,597	1,787

27 Post balance sheet events

On 16 February 2016, Whitewell UK Investments 1 Limited, a member of the same corporate group as the Company, acquired the entire issued share capital of Priory Group No 1 Limited (the "Acquisition"). The corporate group was restructured as part of the Acquisition which involved the contribution of the entire issued share capital of the Company by Partnerships in Care UK 1 Limited to Whitewell UK Holding Company 1 Limited in consideration for the issue of two ordinary shares in the capital of Whitewell UK Holding Company 1 Limited to Partnerships in Care UK 1 Limited. As a result of the restructuring, the Company's immediate parent company is now Whitewell UK Holding Company 1 Limited. The Company's ultimate parent company has not changed and is still Acadia Healthcare Company, Inc.

Partnerships in Care UK 2 Limited

Notes to the financial statements For the Year Ended 31 December 2015

27. Post balance sheet events (continued)

On 14 July 2016, the UK Competition and Markets Authority decided that proposed merger between the Partnerships in Care group and the Priory Group (which has the same ultimate parent company as the Partnerships in Care group) cannot proceed unless Acadia Healthcare Company offers acceptable undertakings. The undertakings offered by Acadia Healthcare Company was the sale of seven hospitals within the Partnerships in Care Group. As of the date of signing, a buyer has not been found, however the process is expected to complete in November 2016. The properties identified for sale have been valued at the expected sales value less costs to sale.

28. Controlling party

The immediate parent undertaking is Partnerships in Care UK 1 Limited

The ultimate parent undertaking is Acadia Healthcare Company Inc, a company incorporated in the United States of America

The largest group in which the results of the Company are consolidated is that headed by Acadia Healthcare Company Inc, incorporated in the United States of America. The consolidated financial statements of the Acadia Healthcare group may be obtained from 830 Crescent Centre Drive, Suite 610, Franklin, TN 37067

29. Transition to FRS 102

The Group and Company transitioned to FRS 102 from previously extant UK GAAP as at 28 May 2014. The impact of the transition to FRS 102 is as follows:

Reconciliation of equity at 31 December 2014

	Note	Group £000
Equity at 31 December 2014 under previous UK GAAP		294,470
Amortisation assumption		(517)
Deferred tax		(1,157)
Equity shareholders funds at 31 December 2014 under FRS 102		292,796

Amortisation Assumption

On 1 July 2014 Partnerships in Care UK 2 Limited acquired 100% of the ordinary share capital of Partnerships in Care Investments 1 Limited. This resulted in goodwill being recognised on the Group's balance sheet. Under the entity's previous accounting framework this was being amortised over 20 years, however the transition to FRS 102 has meant that this should be amortised over 5 years, resulting in an increased amortisation charge of £517,000 in the year, and hence a corresponding decrease in Equity.

Deferred Tax

Changes to accounting for deferred tax means all timing differences at the reporting date should be recognised. This has resulted in additional deferred tax and goodwill of £27,508,000 relating to the revaluation uplift of properties on acquisition being recognised. The goodwill is amortised over 5 years resulting in a charge of £2,751,000, and the deferred tax is unwound at the rate of depreciation of the tangible fixed assets resulting in a benefit of £1,595,000 in the year. This has a net £1,157,000 decrease in equity at 31 December 2014.

Partnerships in Care UK 2 Limited

Notes to the financial statements For the Year Ended 31 December 2015

29. Transition to FRS 102 (continued)

Reconciliation of profit and loss account for the year ended 31 December 2014

	Group £000
Loss for the period under UK GAAP	(16,630)
Retirement benefit schemes	(92)
Amortisation assumption	(517)
Deferred tax	(1,157)
Loss for the period ended 31 December 2014 under FRS 102	<u>(18,396)</u>

Retirement Benefit Schemes

Changes to accounting for retirement benefit schemes has left the balance sheet liability unchanged, however the allocation between the Income Statement and STRGL has changed resulting in a £117,000 debit to the Income Statement. There is a related deferred tax income statement effect of £25,000 giving a net income statement effect of £92,000.

Amortisation assumption

On 1 July 2014 Partnerships in Care UK 2 Limited acquired 100% of the ordinary share capital of Partnerships in Care Investments 1 Limited. This resulted in goodwill being recognised on the Group's balance sheet. Under the entity's previous accounting framework this was being amortised over 20 years, however the transition to FRS 102 has meant that this should be amortised over 5 years, resulting in an increased amortisation charge of £517,000 in the year, and hence a corresponding decrease in profit.

Deferred Tax

Changes to accounting for deferred tax means all timing differences at the reporting date should be recognised. This has resulted in additional deferred tax and goodwill of £27,508,000 relating to the revaluation uplift of properties on acquisition being recognised. The goodwill is amortised over 5 years resulting in a charge of £2,751,000, and the deferred tax is unwound at the rate of depreciation of the tangible fixed assets resulting in a benefit of £1,595,000 in the year. This has a net £1,157,000 decrease in profit in the year.

Company

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss for the Company.