

58020
FOS 4X

Priory Investments Holdings Limited
Annual report and financial statements
for the year ended 31 December 2013

Incorporated in the Cayman Islands with registered number MC-151157

UK Registered number FC026138

TUESDAY



R3HIOYTS

RCS

30/09/2014

#131

COMPANIES HOUSE

Priory Investments Holdings Limited

Annual report and financial statements

for the year ended 31 December 2013

Contents

Strategic report for the year ended 31 December 2013	1
Directors' report for the year ended 31 December 2013	2
Profit and loss account for the year ended 31 December 2013	4
Balance sheet as at 31 December 2013	5
Statement of accounting policies	6
Notes to the financial statements for the year ended 31 December 2013	7

Priory Investments Holdings Limited

Strategic report for the year ended 31 December 2013

The directors present their strategic report on Priory Investments Holdings Limited for the year ended 31 December 2013

Principal activities and review of business

The principal activity of the company is an investment holding company. The results for the year are set out in the profit and loss account on page 4 and the position of the company as at the year end is set out in the balance sheet on page 5.

As the company is focussed on the healthcare sector, the performance of the company can be impacted by external factors. The principal factors are changes in the UK government's policy towards outsourcing of healthcare, changes in the regulatory regime and competitive threats from other independent providers. Management uses a range of financial and non-financial indicators to manage the business. These are derived from all areas of the business and include sales growth by unit, occupancy and achieved profit margins.

Key performance indicators

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business. The development, performance and position of Priory Group No. 1 Limited, which includes the company, is discussed in the group's annual report which does not form part of this report.

Financial risk management

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

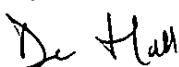
Principal risks and uncertainties

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

Future developments

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

By order of the board



David Hall

Company Secretary

14 April 2014

Priory Investments Holdings Limited

Directors' report for the year ended 31 December 2013

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

Going concern

The ultimate parent company, Priory Group No 1 Limited, has confirmed that it will continue to provide financial support to the company for the foreseeable future and for at least 12 months from the date of approval of these financial statements. Accordingly the financial statements have been prepared on the going concern basis.

Dividends

The directors do not recommend the payment of a dividend (2012: £nil).

Directors

The directors of the company who held office during the year and up to the date of signing the financial statements were as follows:

J Lock

T Riall (appointed 5 April 2013)

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

Auditors

The company is incorporated in the Cayman Islands and registered in both the Cayman Islands and the UK. The company is not required to publish audited financial statements. The purpose of these financial statements is to meet the obligations for filing in both the UK and the Cayman Islands. The filing requirements for the Cayman Islands are significantly less in scope than those for the UK. These financial statements have been prepared in accordance with applicable UK accounting standards and UK companies' legislation as applied to overseas companies and under the historical cost convention. References in these financial statements to the Companies Act and other legislation are therefore references to UK legislation. These financial statements comply with the Companies Act 2006 as applied to overseas companies.

Priory Investments Holdings Limited

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

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations

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

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board



David Hall
Company Secretary
14 April 2014

PO Box 309
Ugland House
Grand Cayman
Cayman Islands
KY1-1104

Priory Investments Holdings Limited

Profit and loss account for the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Operating result		-	-
Income from shares in group undertakings		-	19,250
Interest receivable and similar income	3	93,276	83,283
Interest payable and similar charges	4	(11,794)	(10,659)
Profit on ordinary activities before taxation		81,482	91,874
Tax on profit on ordinary activities	5	(20,768)	(20,768)
Profit for the financial year	11	60,714	71,106

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

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

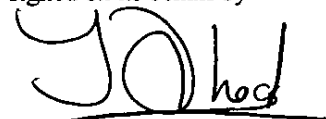
There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents

Priory Investments Holdings Limited

Balance sheet as at 31 December 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Investments	6	126,209	126,209
		126,209	126,209
Current assets			
Debtors	7	867,026	771,324
		867,026	771,324
Creditors: amounts falling due within one year	8	(62,912)	(39,064)
Net current assets		804,114	732,260
Total assets less current liabilities		930,323	858,469
Creditors: amounts falling due after more than one year	9	(116,238)	(105,098)
Net assets		814,085	753,371
Capital and reserves			
Called up share capital	10	409,544	409,544
Share premium account	11	3	3
Profit and loss account	11	404,538	343,824
Total shareholders' funds	12	814,085	753,371

The financial statements on pages 4 to 14 were approved by the board of directors on 14 April 2014 and were signed on its behalf by



Jason Lock
Director

Priory Investments Holdings Limited

Statement of accounting policies

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

Basis of preparation

The company is incorporated in the Cayman Islands and registered in both the Cayman Islands and the UK. The company is not required to publish audited financial statements. The purpose of these financial statements is to meet the obligations for filing in both the UK and the Cayman Islands. The filing requirements for the Cayman Islands are significantly less in scope than those for the UK. These financial statements have been prepared in accordance with applicable UK accounting standards and UK companies' legislation as applied to overseas companies and under the historical cost convention. References in these financial statements to the Companies Act and other legislation are therefore references to UK legislation. These financial statements comply with the Companies Act 2006 as applied to overseas companies.

The company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group financial statements on the grounds that it is included in the consolidated financial statements of a parent undertaking. These financial statements present information about the company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 'Cash flow statements' (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own publicly available consolidated financial statements.

As the company is a wholly owned subsidiary of Priory Group No. 1 Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 'Related party disclosures' and has therefore not disclosed transactions or balances with entities which form part of the group.

Investments

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

Deferred taxation

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

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

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

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

Group relief

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

Priory Investments Holdings Limited

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

1 Remuneration of directors

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

2 Staff numbers and costs

The company had no employees during the year (2012: nil).

3 Interest receivable and similar income

	2013 £'000	2012 £'000
On loans to group companies	93,276	83,283

4 Interest payable and similar charges

	2013 £'000	2012 £'000
On loans from group companies	11,794	10,659

Priory Investments Holdings Limited

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

5 Tax on profit on ordinary activities

	2013 £'000	2012 £'000
UK corporation tax		
Current tax charge arising in the year	23,194	16,524
Adjustment in respect of prior years	-	(4,288)
Total current tax	23,194	12,236
Deferred tax		
Adjustment in respect of prior years	-	3,900
Effect of tax rate change on opening balance	965	1,274
Origination and reversal of timing differences	(3,391)	3,358
Total deferred tax (note 7)	(2,426)	8,532
Total tax charge	20,768	20,768

The current tax charge of £23,194,000 (2012 £12,236,000) on profits for the year has been relieved by the surrender of losses by other group companies in exchange for payment of the same amount

Priory Investments Holdings Limited

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

5 Tax on profit on ordinary activities (continued)

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 23.25% (2012 24.49%). The actual tax charge for the year is higher (2012 lower) than the standard rate for the reasons set out in the following reconciliation

	2013 £'000	2012 £'000
Profit on ordinary activities before taxation	81,482	91,874
Tax on profit on ordinary activities at standard rate	18,945	22,500
Factors affecting charge for the year		
Short term timing difference	-	(3,577)
Non-taxable income	-	(4,709)
Transfer pricing adjustment	4,249	2,310
Adjustment in respect of prior years	-	(4,288)
Total current tax charge for the year	23,194	12,236

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

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

Priory Investments Holdings Limited

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

6 Investments

	Shares in group undertakings £'000
Cost and net book value	
At 1 January 2013 and 31 December 2013	126,209

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

Subsidiary undertaking	Principal activity	Country of incorporation	Class and percentage of shares held
Priory Health No 1 Limited	Holding Company	United Kingdom	100% ordinary
Craegmoor Group Limited	Holding Company	United Kingdom	100% ordinary
Priory Healthcare Holdings Limited	Holding Company	United Kingdom	100% ordinary
Medical Imaging (Essex) Limited	Non Trading	United Kingdom	100% ordinary
Nottcor 6 Limited	Non Trading	United Kingdom	100% ordinary
Priory Pension Trustee Limited	Trustee Company	United Kingdom	100% ordinary
Priory Healthcare Investments Trustee Limited	Investment Trustee Company	United Kingdom	100% ordinary
Priory Holdings Company No 1 Limited	Holding Company	Cayman Islands	100% ordinary
Priory New Investments Limited	Investment Holding Company	United Kingdom	100% ordinary
Priory Services for Young People	Non Trading	Isle of Man	100% ordinary

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

Priory Investments Holdings Limited

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

7 Debtors

	2013	2012
	£'000	£'000
Amounts due in less than one year:		
Deferred tax	9,822	7,396
Amounts due after more than one year:		
Amounts receivable from group undertakings	857,204	763,928
	867,026	771,324

Amounts receivable from group undertakings due in less than one year are non-interest bearing and repayable on demand

Amounts receivable from group undertakings due after more than one year comprises of £831,804,000 (2012 £738,528,000) which is unsecured, bears interest at 12% per annum and is due for repayment on 5 July 2015, and £25,400,000 (2012 £25,400,000) which bears interest at LIBOR plus 2.25% per annum, is unsecured and repayable on demand. It is not expected that the demand would be made or that this amount will be repaid within one year and accordingly this amount has been shown as amounts falling due after more than one year

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

	£'000
Deferred tax	
At 1 January 2013	7,396
Credit for the year	2,426
At 31 December 2013	9,822

Deferred tax arises on the following timing differences

	2013	2012
	£'000	£'000
Short term timing differences	9,822	7,396

Priory Investments Holdings Limited

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

8 Creditors: amounts falling due within one year

	2013	2012
	£'000	£'000
Amounts owed to group undertakings	25,248	12,357
Group relief payable	23,194	12,236
Accruals and deferred income	14,470	14,471
	62,912	39,064

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

9 Creditors: amounts falling due after more than one year

	2013	2012
	£'000	£'000
Amounts owed to group undertakings	116,238	105,098

Amounts owed to group undertakings consist of £90,336,000 of loan notes (2012 £80,346,000), £10,264,000 of PIK notes (2012 £9,114,000) and a loan of £15,638,000 (2012 £15,638,000)

The loan notes and PIK notes bear interest at 12% per annum, are unsecured and mature in July 2015

The loan bears interest at LIBOR plus 2.25% per annum, is unsecured and repayable on demand. It is not expected that the demand would be made or that this amount will be repaid within one year and accordingly this amount has been shown as amounts falling due after more than one year.

Priory Investments Holdings Limited

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

10 Called up share capital

	2013	2012
	£'000	£'000
Authorised		
834,020,000 (2012 834,020,000) ordinary shares of £1 each	834,020	834,020
Allotted and fully paid		
409,544,000 (2012 409,544,000) ordinary shares of £1 each	409,544	409,544

11 Reserves

	Share premium account	Profit and loss account
	£'000	£'000
At 1 January 2013	3	343,824
Profit for the financial year	-	60,714
At 31 December 2013	3	404,538

12 Reconciliation of movements in shareholders' funds

	2013	2012
	£'000	£'000
Profit for the financial year	60,714	71,106
Net addition to shareholders' funds	60,714	71,106
Opening shareholders' funds	753,371	682,265
Closing shareholders' funds	814,085	753,371

Priory Investments Holdings Limited

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

13 Ultimate parent company and controlling party

The company's immediate parent company, which is incorporated in United Kingdom, is Priory Group No 3 PLC

The ultimate parent undertaking and controlling party is Priory Group No 1 Limited, a company incorporated in England. Priory Group No 1 Limited is beneficially owned by funds managed by Advent International Corporation which is considered by the directors to be the ultimate controlling party of the company.

Priory Group No 1 Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2013. Priory Group No 3 PLC is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2013. The consolidated financial statements of Priory Group No 1 Limited and Priory Group No 3 PLC can be obtained from the Company Secretary at 80 Hammersmith Road, London, W14 8UD.