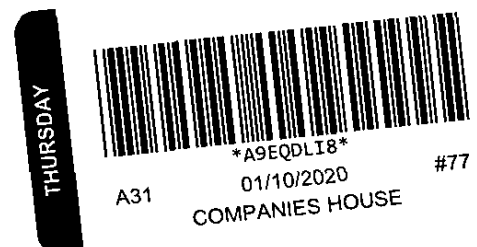


Affinity Hospitals Holding Limited
Annual Report and Unaudited Financial Statements
for the Year Ended 31 December 2019
Registration number: SC196089



Affinity Hospitals Holding Limited

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Affinity Hospitals Holding Limited

Company Information

Directors	Trevor Torrington Ryan Jervis
Company secretary	David Hall
Registered office	38-40 Mansionhouse Road 80 Hammersmith Road Glasgow G41 3DW

Affinity Hospitals Holding Limited

Strategic Report for the Year Ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

Fair review of the business

The results for the year are set out in the profit and loss account on page 6 and the position of the company as at the year end is set out in the balance sheet on page 8.

The company's management is satisfied with the performance for the year, and is committed to a continued growth strategy.

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business. The development, performance and position of Priory Group UK 1 Limited, an intermediate parent of the company, is discussed in the group's financial statements which includes the company and does not form part of this report.

Principal risks and uncertainties

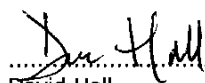
From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principle risks and uncertainties of Priory Group UK 1 Limited, which include those of the company, are discussed in the group's financial statements which do not form part of this report.

Statement on Section 172(1)

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

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

Approved by the Board on 4 September 2020 and signed on its behalf by:



David Hall
Company secretary

Affinity Hospitals Holding Limited

Directors' Report for the Year Ended 31 December 2019

The directors present their report and the unaudited financial statements for the year ended 31 December 2019.

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

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

Principal activity

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

Directors' of the company

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

Trevor Torrington

Nigel Myers (resigned 17 December 2019)

Ryan Jervis (appointed 17 December 2019)

Dividends

The directors do not recommend the payment of a final dividend (2018: £nil). No dividends were paid during the year (2018: £nil).

Financial instruments

The company's operations mean that it is exposed to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and interest rate risk. The directors monitor the risks in order to limit the adverse effects on the financial performance by reviewing levels of debt finance and the related finance costs, however these are integrated with the risks of the group and not managed separately. Accordingly, the financial risk management policies of Priory Group UK 1 Limited, which include those of the company, are discussed in the group's financial statements which do not form part of this report.

Future developments

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

Affinity Hospitals Holding Limited

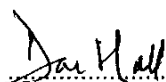
Directors' Report for the Year Ended 31 December 2019 (continued)

Going concern

The Directors have adopted the going concern basis in preparing these accounts after assessing the principal risks and having considered the impact of the COVID-19 pandemic. The going concern of Priory Group UK 1 Limited, an intermediate parent of the company, is discussed in the group's financial statements, which includes the company and does not form part of this report.

After making appropriate enquiries and having considered the business activities and principal risks and uncertainties, the directors of the group are satisfied that the group as a whole has adequate resources to continue in operational existence for the foreseeable future. As a result the intermediate parent company, Priory Group UK 1 Limited, has confirmed that it will continue to provide financial support to the company for the foreseeable future and for at least twelve months from the date of approval of these financial statements. Accordingly the financial statements have been prepared on the going concern basis.

Approved by the Board on 4 September 2020 and signed on its behalf by:


.....
David Hall
Company secretary

Affinity Hospitals Holding Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Affinity Hospitals Holding Limited

Profit and Loss Account for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Turnover		-	-
Operating profit/(loss)		-	-
Profit/(loss) before tax		-	-
Tax on profit on ordinary activities	5	(106)	(106)
Loss for the year		<u>(106)</u>	<u>(106)</u>

The above results were derived from continuing operations.

The notes on pages 10 to 15 form an integral part of these financial statements.

Affinity Hospitals Holding Limited

Statement of Comprehensive Income for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Loss for the year		<u>(106)</u>	<u>(106)</u>
Total comprehensive income for the year		<u><u>(106)</u></u>	<u><u>(106)</u></u>

The notes on pages 10 to 15 form an integral part of these financial statements.

Affinity Hospitals Holding Limited

(Registration number: SC196089) Balance Sheet as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Fixed assets			
Investments	6	396	396
Current assets			
Debtors	7	7,836	7,942
Creditors: Amounts falling due within one year	8	<u>(106)</u>	<u>(106)</u>
Net current assets		<u>7,730</u>	<u>7,836</u>
Net assets		<u>8,126</u>	<u>8,232</u>
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account		<u>8,126</u>	<u>8,232</u>
Shareholders' funds		<u>8,126</u>	<u>8,232</u>

For the financial year ending 31 December 2019 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

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

Approved by the Board on 4 September 2020 and signed on its behalf by:



Ryan Jervis

Director

The notes on pages 10 to 15 form an integral part of these financial statements.

Affinity Hospitals Holding Limited

Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2019	-	8,232	8,232
Loss for the year	-	(106)	(106)
Total comprehensive income	-	(106)	(106)
At 31 December 2019	-	8,126	8,126

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2018	-	8,338	8,338
Loss for the year	-	(106)	(106)
Total comprehensive income	-	(106)	(106)
At 31 December 2018	-	8,232	8,232

The notes on pages 10 to 15 form an integral part of these financial statements.

Affinity Hospitals Holding Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2019

1 General information

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

The address of its registered office is:

38-40 Mansionhouse Road
80 Hammersmith Road
Glasgow
G41 3DW
United Kingdom

These financial statements were authorised for issue by the Board on 4 September 2020.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

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

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

Summary of disclosure exemptions

FRS 101 sets out a reduced disclosure framework for a "qualifying entity" as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The Company is a qualifying entity for the purposes of FRS 101. Note 10 gives details of the Company's ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

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

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

Affinity Hospitals Holding Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Going concern

The Directors have adopted the going concern basis in preparing these accounts after assessing the principal risks and having considered the impact of the COVID-19 pandemic. The going concern of Priory Group UK 1 Limited, an intermediate parent of the company, is discussed in the group's financial statements, which includes the company and does not form part of this report.

After making appropriate enquiries and having considered the business activities and principal risks and uncertainties, the directors of the group are satisfied that the group as a whole has adequate resources to continue in operational existence for the foreseeable future. As a result the intermediate parent company, Priory Group UK 1 Limited, has confirmed that it will continue to provide financial support to the company for the foreseeable future and for at least twelve months from the date of approval of these financial statements. Accordingly the financial statements have been prepared on the going concern basis.

Exemption from preparing group accounts

The financial statements contain information about Affinity Hospitals Holding Limited as an individual company and do not contain consolidated financial information as the parent of a group.

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

Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 January 2019 have had a material effect on the financial statements.

Tax

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

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

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

Investments

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

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

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

Affinity Hospitals Holding Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Share capital

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

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period then ended. Management bases its estimates on historical experience and various other assumptions that are considered to be reasonable in the particular circumstances. Actual results may differ from these estimates.

4 Directors' remuneration

The costs relating to the directors' services have been borne by Priory Central Services Limited, a fellow group company. No amounts (2018: £nil) 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.

The company has no employees.

5 Income tax

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

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax	106	106

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2018 - higher than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £ 000	2018 £ 000
Profit/(loss) before tax	-	-
Corporation tax at standard rate	-	-
Increase (decrease) from transfer pricing adjustments	106	106
Total tax charge	106	106

The company's profits for this accounting year are taxed at an effective rate of 19% (2018: 19%).

Affinity Hospitals Holding Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2019 (continued)

5 Income tax (continued)

A reduction in the main rate of corporation tax to 17% with effect from 1 April 2020 was substantively enacted on 6 September 2016. Finance Bill 2020 reversed this proposed rate reduction hence the rate remains at 19% from 1 April 2020.

6 Investments

Subsidiaries	£ 000
Cost or valuation	
At 1 January 2019	396
At 31 December 2019	396
Carrying amount	
At 31 December 2019	396
At 31 December 2018	396

Details of the subsidiaries as at 31 December 2019 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2019	2018
Affinity Hospitals Group Limited*	Holding company	United Kingdom	100%	100%
Affinity Hospitals Limited	Holding company	United Kingdom	100%	100%
Cheadle Royal Healthcare Limited	Private healthcare	United Kingdom	100%	100%
Middleton St George Healthcare Limited	Private healthcare	United Kingdom	100%	100%
Cheadle Royal Residential Services Limited	Non trading	United Kingdom	100%	100%

* indicates directly held subsidiary

Affinity Hospitals Holding Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2019 (continued)

7 Trade and other debtors

	2019 £ 000	2018 £ 000
Debtors from related parties	7,836	7,942
Total current trade and other debtors	7,836	7,942

Debtors from related parties are unsecured, non-interest bearing and repayable on demand.

8 Creditors: amounts falling due within one year

	2019 £ 000	2018 £ 000
Income tax liability	106	106

9 Share capital

Allotted, called up and fully paid shares

	No. 000	2019 £ 000	No. 000	2018 £ 000
Ordinary shares of £0.00 each	150	-	150	-

10 Parent and ultimate parent undertaking

The company's immediate parent is Affinity Healthcare Limited.

The ultimate parent is Acadia Healthcare Company Inc..

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

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

Affinity Hospitals Holding Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2019 (continued)

11 Non adjusting events after the financial period

COVID-19

The evolving situation regarding the COVID-19 outbreak is regarded by the company as a disclosable event occurring after the reporting date but prior to the issuance of these financial statements. The company has determined that COVID-19 is a non-adjusting post balance sheet event as at 31 December 2019 on the basis that at that date the World Health Organisation had not declared a global health emergency, and there was no significant known presence of the virus outside China, a territory with minimal direct involvement with the company.

As a non-adjusting event, no adjustment to the financial performance or position for the year has been made.

The impact of COVID-19 on the profitability, financial position and solvency of Priory Group UK 1 Limited, which include this company, is discussed in the group's financial statements which do not form part of this report.

The directors' report sets out the considerations made by the company in determining that the going concern basis of preparation remains appropriate.