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Priory Finance Company Limited
Annual Report and Unaudited Financial Statements
for the Year Ended 31 December 2018
Registration number: FC024699

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Priory Finance Company Limited

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Priory Finance Company Limited

Company Information

Directors Trevor Torrington
Nigel Myers

Company secretary David Hall

Registered office c/o M&C Corporate Services Ltd
PO Box 309GT
Ugland House
South Church Street
George Town

Priory Finance Company Limited

Strategic Report for the Year Ended 31 December 2018

The Directors present their strategic report for the year ended 31 December 2018.

Principal activity

The principal activity of the company is to raise finance on behalf of fellow subsidiary undertakings.

Fair review of the business

The results for the year are set out in the profit and loss account on page 5 and the position of the company as at the year end is set out in the balance sheet on page 7.

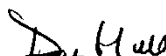
The company has a 47% economic interest in the partnership capital of Priory Finance Property LLP.

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.

Approved by the Board on 14 June 2019 and signed on its behalf by:


.....
David Hall
Company secretary

Priory Finance Company Limited

Directors' Report for the Year Ended 31 December 2018

The Directors present their report and the financial statements for the year ended 31 December 2018.

Directors of the Company

The directors who held office during the year were as follows:

Trevor Torrington

Nigel Myers

The directors do not recommend the payment of a final dividend (2017: £nil). No dividends were paid during the year (2017: £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 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 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 annual report, which does not form part of this report.

Going concern

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.

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 the Companies Act 2006 as applied to overseas companies.

Approved by the Board on 14 June 2019 and signed on its behalf by:



.....
David Hall
Company secretary

Priory Finance Company Limited

Statement of Directors' Responsibilities

The Directors acknowledge their responsibilities 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 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 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 the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Priory Finance Company Limited

Profit and Loss Account for the Year Ended 31 December 2018

	Note	2018 £ 000	2017 £ 000
Turnover		-	-
Operating profit/(loss)		-	-
Profit/(loss) before tax		-	-
Taxation	4	1,090	533
Profit for the financial year		<u>1,090</u>	<u>533</u>

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

Priory Finance Company Limited

Statement of Comprehensive Income for the Year Ended 31 December 2018

	Note	2018 £ 000	2017 £ 000
Profit for the year		<u>1,090</u>	<u>533</u>
Total comprehensive income for the year		<u><u>1,090</u></u>	<u><u>533</u></u>

Priory Finance Company Limited

(Registration number: FC024699)

Balance Sheet as at 31 December 2018

	Note	2018 £ 000	2017 £ 000
Fixed assets			
Investments	5	-	-
Current assets			
Debtors	6	2,569	469
Deferred tax asset	4	<u>4,013</u>	<u>4,905</u>
		6,582	5,374
Creditors: Amounts falling due within one year	7	<u>(10,734)</u>	<u>(10,616)</u>
Net current liabilities		<u>(4,152)</u>	<u>(5,242)</u>
Net liabilities		<u>(4,152)</u>	<u>(5,242)</u>
Capital and reserves			
Called up share capital	8	1	1
Profit and loss account		<u>(4,153)</u>	<u>(5,243)</u>
Total equity		<u>(4,152)</u>	<u>(5,242)</u>

Approved and authorised by the Board on 14 June 2019 and signed on its behalf by:

.....
Nigel Myers
Director

Priory Finance Company Limited

Statement of Changes in Equity for the Year Ended 31 December 2018

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2018	<u>1</u>	<u>(5,243)</u>	<u>(5,242)</u>
Profit for the year	<u>-</u>	<u>1,090</u>	<u>1,090</u>
Total comprehensive income	<u>-</u>	<u>1,090</u>	<u>1,090</u>
At 31 December 2018	<u><u>1</u></u>	<u><u>(4,153)</u></u>	<u><u>(4,152)</u></u>

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2017	<u>1</u>	<u>(5,776)</u>	<u>(5,775)</u>
Profit for the year	<u>-</u>	<u>533</u>	<u>533</u>
Total comprehensive income	<u>-</u>	<u>533</u>	<u>533</u>
At 31 December 2017	<u><u>1</u></u>	<u><u>(5,243)</u></u>	<u><u>(5,242)</u></u>

Priory Finance Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

1 General information

The company is a private company limited by share capital incorporated in Cayman Islands.

The address of its registered office is:

c/o M&C Corporate Services Ltd
PO Box 309GT
Ugland House
South Church Street
George Town
Cayman Islands

These financial statements were authorised for issue by the Board on 14 June 2019.

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.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

The financial statements are presented in sterling, rounded to the nearest thousand. They are prepared on a going concern basis and under the historical cost convention. The principal accounting policies applied in the preparation of these financial statements are set out below, and, unless otherwise stated, these policies have been consistently applied to all the periods presented.

Summary of disclosure exemptions

The principle disclosure exemptions adopted by the company in accordance with FRS 102 are as follows:

- Statement of cash flows;
- Certain financial instrument disclosures;
- Disclosure of key management personnel compensation;
- Disclosures in respect of related party transactions entered into between fellow group companies (the company has no other related party transactions); and
- Roll-forward reconciliations in respect of share capital.

Going concern

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

Priory Finance Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

2 Accounting policies (continued)

Tax

The tax expense for the period comprises current and deferred 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.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Investments

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

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.

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 Directors' remuneration

The costs relating to the directors' services have been borne by Priory Central Services Limited, a fellow group company. No amounts have been recharged (2017: £nil) 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.

Priory Finance Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

4 Taxation

Tax charged/(credited) in the income statement

	2018 £ 000	2017 £ 000
Current taxation		
UK corporation tax	(1,982)	90
Deferred taxation		
Arising from origination and reversal of timing differences	<u>892</u>	<u>(623)</u>
Tax receipt in the income statement	<u>(1,090)</u>	<u>(533)</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2017 - lower than the standard rate of corporation tax in the UK) of 19% (2017 - 19.25%).

The differences are reconciled below:

	2018 £ 000	2017 £ 000
Profit/(loss) before tax	<u>-</u>	<u>-</u>
Corporation tax at standard rate	-	-
Deferred tax expense (credit) relating to changes in tax rates or laws	(105)	(108)
Deferred tax expense (credit) from unrecognised temporary difference from a prior period	-	(1,440)
Increase (decrease) in UK and foreign current tax from adjustment for prior periods	-	1,702
Tax increase (decrease) from other short-term timing differences	(2,667)	(2,581)
Tax increase (decrease) from transfer pricing adjustments	<u>1,682</u>	<u>1,894</u>
Total tax credit	<u>(1,090)</u>	<u>(533)</u>

The company's profits for this accounting year are taxed at an effective rate of 19% (2017: 19.25%).

The main rate of corporation tax has been reduced from 19% to 17% with effect from 1 April 2020. The deferred tax balances are expected to largely reverse after 1 April 2010, the tax rate used for deferred tax at the year end is 17%.

Priory Finance Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

4 Taxation (continued)

Deferred tax

Deferred tax assets and liabilities

	Asset £ 000
2018	
Other	<u>4,013</u>
2017	
Other	<u>4,905</u>

5 Investments in subsidiaries, joint ventures and associates

Associates	£ 000
Cost	
At 1 January 2018	<u>-</u>
At 31 December 2018	<u>-</u>
Carrying amount	
At 31 December 2018	<u>-</u>
At 31 December 2017	<u>-</u>

Priory Finance Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

5 Investments in subsidiaries, joint ventures and associates (continued)

Details of undertakings

Details of the investments the company holds are as follows:

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held	
			2018	2017
Priory Finance Property LLP	United Kingdom	Membership capital	47%	47%

The principal activity of Priory Finance Property LLP is to raise finance and to lease properties to fellow group undertakings.

6 Debtors

	2018	2017
	£ 000	£ 000
Income tax asset	<u>2,569</u>	<u>469</u>

7 Creditors

	2018	2017
	£ 000	£ 000
Due within one year		
Amounts due to related parties	10,147	10,057
Income tax liability	<u>587</u>	<u>559</u>
	<u>10,734</u>	<u>10,616</u>

Amounts due to related parties are unsecured, non interest bearing and repayable on demand.

8 Share capital

Allotted, called up and fully paid shares

	No. 000	2018	No. 000	2017
		£ 000		£ 000
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

Priory Finance Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

9 Parent and ultimate parent undertaking

The company's immediate parent is Priory Health No 2 Limited, incorporated in the Cayman Islands.

The ultimate parent is Acadia Healthcare Company Inc., incorporated in the US.

Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is Acadia Healthcare Company Inc., incorporated in 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 United Kingdom.

The address of Priory Group UK 1 Limited is:

Fifth Floor, 80 Hammersmith Road, London, W14 8UD, United Kingdom.