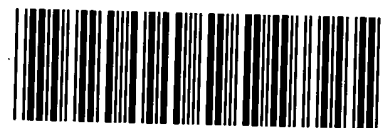


Affinity Hospitals Group Limited
Annual report and financial statements
for the year ended 31 December 2015

Registered number: SC224907

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Affinity Hospitals Group Limited
Annual report and financial statements
for the year ended 31 December 2015
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Affinity Hospitals Group Limited

Strategic report for the year ended 31 December 2015

The directors present their strategic report on Affinity Hospitals Group Limited for the year ended 31 December 2015.

Principal activities and review of business

The company is the holding company for a group of companies engaged in the provision of private healthcare.

The results for the year are set out in the profit and loss account on page 6 and the position of the company as at the year end is set out in the balance sheet on page 7.

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.

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, are 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 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.

By order of the board



David Hall

Company Secretary

13 June 2016

Affinity Hospitals Group Limited

Directors' report for the year ended 31 December 2015

The directors present their report and the audited financial statements of the company for the year ended 31 December 2015.

Going concern

The intermediate 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.

Results and dividends

The directors do not recommend the payment of a dividend (2014: £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:

M Franzidis (resigned 7 January 2015)
J Lock (resigned 1 April 2015)
T Riall
M Moran (appointed 1 April 2015; resigned 1 March 2016)

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

Future developments

The future developments of the company are discussed in the strategic report.

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

Provision 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'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 information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

Affinity Hospitals Group Limited

Directors' report for the year ended 31 December 2015 (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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of the financial statements.

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
13 June 2016

38-40 Mansionhouse Road
Glasgow
Scotland
G41 3DW

Affinity Hospitals Group Limited

Independent auditors' report to the members of Affinity Hospitals Group Limited

Report on the financial statements

Our opinion

In our opinion, Affinity Hospitals Group Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the annual report and financial statements (the "annual report"), comprise:

- the balance sheet as at 31 December 2015;
- the profit and loss account for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Affinity Hospitals Group Limited

Independent auditors' report to the members of Affinity Hospitals Group Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the statement of directors' responsibilities set out on page 3, 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 & Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

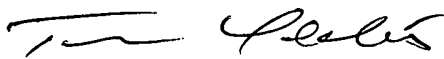
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures, or a combination of both.

In addition, we read all the financial and non-financial information in the annual 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.



Tom Yeates (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle Upon Tyne
13 June 2016

Affinity Hospitals Group Limited

Profit and loss account for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Result on ordinary activities before taxation	1	-	-
Tax on result on ordinary activities	3	151	164
Profit for the financial year		151	164

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

There is no other comprehensive income for the current or prior financial year.

Affinity Hospitals Group Limited

Balance sheet as at 31 December 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Investments	4	12,171	12,171
Current assets			
Debtors	5	151	164
Creditors: amounts falling due within one year	6	(7,218)	(7,382)
Net current liabilities		(7,067)	(7,218)
Total assets less current liabilities		5,104	4,953
Capital and reserves			
Called up share capital	7	350	350
Share premium account		46	46
Profit and loss account		4,708	4,557
Total shareholders' funds		5,104	4,953

The financial statements on pages 6 to 13 were approved by the board of directors on 13 June 2016 and were signed on its behalf by:



Tom Riall
Director

Registered number: SC224907

Affinity Hospitals Group Limited

Statement of changes in equity for the year ended 31 December 2015

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 1 January 2014	350	46	4,393	4,789
Profit for the financial year	-	-	164	164
At 31 December 2014	350	46	4,557	4,953
Profit for the financial year	-	-	151	151
At 31 December 2015	350	46	4,708	5,104

Affinity Hospitals Group 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 a private limited company, incorporated and domiciled in the United Kingdom.

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.

These financial statements have been prepared in accordance with United Kingdom Accounting Standards, in particular, Financial Reporting Standard 101 "Reduced Disclosure Framework (FRS 101) and, the Companies Act 2006 (the Act) as applicable to companies using FRS 101. 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 8 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 has no other related party transactions); and
- Roll-forward reconciliations in respect of share capital (IAS 1).

The preparation of financial statements in conformity with FRS 101 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

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.

Affinity Hospitals Group Limited

Statement of accounting policies (continued)

Investments

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

Taxation

The tax expense represents the tax currently payable.

The tax currently payable is based on the taxable profit for the year. Taxable profit can differ from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years, or that are never taxable or deductible. The company's liability for current tax is calculated using rates that have been effective during the accounting period.

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.

Affinity Hospitals Group Limited

Notes to the financial statements for the year ended 31 December 2015

1 Result on ordinary activities before taxation

The remuneration of the auditors of £500 (2014: £500) was borne by another group undertaking.

The company has no employees (2014: none).

2 Remuneration of directors

The costs relating to the directors' services have been borne by Priory Central Services Limited, a fellow group company. No amounts (2014: £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.

3 Tax on result on ordinary activities

	2015 £'000	2014 £'000
UK Corporation tax:		
Current tax credit arising in the year	151	164
Total tax credit	151	164

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 20.25% (2014: 21.5%). The actual tax credit for the year is higher than (2014: higher) the standard rate for the reasons set out in the following reconciliation:

	2015 £'000	2014 £'000
Result on ordinary activities before taxation	-	-
Tax on result on ordinary activities at standard rate	-	-
Factors affecting charge for the year:		
Transfer pricing adjustment	151	164
Total tax credit for the year	151	164

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the company's profits for this accounting year are taxed at an effective rate of 20.25% (2014: 21.5%).

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change was to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 were substantively enacted on 26 October 2015.

Affinity Hospitals Group Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

4 Investments

Shares in group undertakings

	Total £'000
Cost and net book value	
At 31 December 2014 and 31 December 2015	12,171

The subsidiary undertakings of the company are as follows:

Subsidiary undertaking	Principal activity	Country of incorporation	Class and percentage of shares held
Direct			
Affinity Hospitals Limited	Holding company	United Kingdom	100% ordinary
Indirect			
Cheadle Royal Healthcare Limited	Private Healthcare	United Kingdom	100% ordinary
Middleton St George Healthcare Limited	Private Healthcare	United Kingdom	100% ordinary
Cheadle Royal Hospital Limited	Dormant	United Kingdom	100% ordinary
Cheadle Royal Residential Services Limited	Non-trading	United Kingdom	100% ordinary

The directors consider that the carrying value of the investment is supported by its underlying net assets.

5 Debtors

	2015 £'000	2014 £'000
Group relief receivable	151	164

Affinity Hospitals Group Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

6 Creditors: amounts falling due within one year

	2015	2014
	£'000	£'000
Amounts owed to group undertakings	7,218	7,382

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

7 Called up share capital

	2015	2014
	£'000	£'000
Authorised, allotted, called-up and fully paid		
350,123 ordinary shares of £1 each	350	350

8 Ultimate parent company and controlling party

The company's immediate parent company, which is incorporated in Scotland, is Affinity Hospitals Holding Limited.

The ultimate parent undertaking and controlling party at 31 December 2015 was Priory Group No. 1 Limited, a company incorporated in England. Priory Group No. 1 Limited was beneficially owned by funds managed by Advent International Corporation which was considered by the directors to be the ultimate controlling party of the company.

On 16 February 2016 the entire share capital of Priory Group No. 1 Limited was acquired by Whitewell UK Investments 1 Limited, an indirect wholly owned subsidiary of Acadia Healthcare Company Inc. From this date the ultimate parent undertaking and controlling party is Acadia Healthcare Company Inc.

Priory Group No. 1 Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2015. Priory Group No. 3 PLC is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2015. 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.