

Priory Finance Property Holdings No. 2 Limited

Directors' report and financial statements

Period from 12 October 2005 (date of
incorporation) to 31 December 2005

Registered number 5590103



Contents

Directors' report	1
Statement of directors' responsibilities	3
Independent auditors' report to the members of Priory Finance Property Holdings No. 2 Limited	4
Profit and loss account	5
Balance sheet	5
Notes	6

Directors' report

The directors present their report and the audited financial statements for the period from 12 October 2005 (date of incorporation) to 31 December 2005.

The company was incorporated on 12 October 2005 in the name of Hackremco (No.2299) Limited. The company changed its name on 29 November 2005 to Priory Finance Property Holdings No. 2 Limited.

Principal activities

The company acts as partner in Priory Finance Property LLP.

The company did not trade during the period.

Dividends

The directors do not recommend the payment of a dividend.

Directors and directors' interests

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

Hackwood Directors Limited	(appointed 12 October 2005; resigned 6 December 2005)
PJ Greensmith	(appointed 6 December 2005)
Dr CB Patel	(appointed 6 December 2005)
LDC Corporate Director No. 4 Limited	(appointed 6 December 2005)

In accordance with the articles of association, no directors retire by rotation. None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

The interests of Dr CB Patel in the shares of Priory Investments Holdings Limited (the ultimate parent company) are disclosed in the financial statements of that company.

The interests of PJ Greensmith in the shares of Priory Investments Holdings Limited are set out below:

	Interest at end of year				Interest at date of appointment			
	A Ordinary shares	B Ordinary shares	Non Voting B Ordinary shares	Preference shares	A Ordinary shares	B Ordinary shares	Non Voting B Ordinary shares	Preference shares
PJ Greensmith	-	200,000	300,000	1,500,000	-	-	-	-

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of PricewaterhouseCoopers LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Directors' report *(continued)*

Provision of information to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Each director has taken all the steps that he ought to have taken as director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board



P Greensmith
Company secretary

Priory House
Randalls Way
Leatherhead
Surrey
KT22 7TP

24 May 2006

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditors' report to the members of Priory Finance Property Holdings No. 2 Limited

We have audited the financial statements of Priory Finance Property Holdings No. 2 Limited for the period ended 31 December 2005 which comprise the profit and loss account, the balance sheet, the reconciliation of movement in shareholders' funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its result for the period then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

24 May 2006

Profit and loss account

for the period from 12 October 2005 to 31 December 2005

During the financial period, the company did not trade and received no income and incurred no expenditure. Consequently, during the period the company made neither a profit nor a loss.

Balance sheet

at 31 December 2005

	Note	2005 £
Fixed assets		
Investments	4	100
Current assets		
Cash at bank and in hand		900
Net assets		<u>1,000</u>
Capital and reserves		
Called up share capital	5	1,000
Profit and loss account	6	-
Shareholders' funds – equity	6	<u>1,000</u>

These financial statements were approved by the board of directors on 24 May 2006 and were signed on its behalf by:



PJ Greensmith
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under FRS 1 (revised) 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 published consolidated financial statements.

The company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group.

Fixed assets

Fixed asset investments are stated at cost less provision for any impairment in value.

2 Remuneration of auditors and directors

The remuneration of the auditors in the period was borne by another group undertaking.

The directors received no emoluments for services to the company during the period.

3 Staff numbers and costs

The company had no employees during the period.

Notes *(continued)*

4 Fixed asset investments

	Total £
<i>Interest in partnership</i>	
<i>Cost</i>	
Additions	100
	<hr/>
At the end of the period	100
	<hr/>
<i>Provisions</i>	
At beginning and end of the period	-
	<hr/>
<i>Net book value</i>	
At 31 December 2005	100
	<hr/>

As at 31 December 2005, the company had a 0.001% interest in the partnership capital of Priory Finance Property LLP. The principal activity of the partnership is to raise finance and to lease properties to fellow group undertakings.

5 Called up share capital

	2005 £
<i>Authorised</i>	
1,000 Ordinary shares of £1 each	1,000
	<hr/>
<i>Allotted, called up and fully paid</i>	
1,000 Ordinary shares of £1 each	1,000
	<hr/>

Notes (continued)

6 Reconciliation of movement in shareholders' funds

	Share Capital £	Profit and loss account £	Total £
Share capital subscribed	1,000	-	1,000
At end of the period	<u>1,000</u>	<u>-</u>	<u>1,000</u>

7 Ultimate parent company

The company is a subsidiary undertaking of Priory Health No.2 Limited, which is incorporated in the Cayman Islands.

The largest group in which the results of the company are consolidated is that headed by Priory Investments Holdings Limited. No other group accounts include the results of the company.