

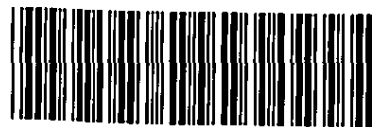
# **Priory Finance Property Holdings No. 1 Limited**

Directors' report and financial statements

Year ended 31 December 2008

Registered number 5590294

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## Contents

Directors' report	1
Statement of directors' responsibilities	3
Independent auditors' report to the members of Priory Finance Property Holdings No. 1 Limited	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7

## Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2008.

### Principal activities

The company acts as a holding company for its interest in Priory Finance Property LLP.

### Business review

The company did not trade during the year.

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 6.

The directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance and position of the business.

The company is not exposed to any risks beyond those exposed to the Group as a whole and are not managed separately. Accordingly, the financial risk management policies of Priory Investments Holdings 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 Investments Holdings Limited, which include those of the company, are discussed in the Group's annual report which does not form part of this report.

### Dividends

The directors do not recommend the payment of a dividend (2007: *£nil*).

### Directors

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

LDC Corporate Director No. 3 Limited

S Bradshaw

Professor C Thompson

J Lock

(appointed 15 September 2008)

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

### Auditors

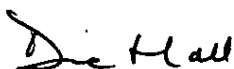
In accordance with Section 386 of the Companies Act 1985 (as amended), the Company has elected to dispense with the obligation to appoint auditors annually. Accordingly, PricewaterhouseCoopers LLP will continue in office as auditors.

## **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



**D Hall**  
*Company Secretary*

Priory House  
Randalls Way  
Leatherhead  
Surrey  
KT22 7TP

28 May 2009

## 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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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.

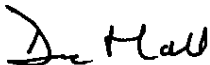
In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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 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

28 May 2009

## Independent auditors' report to the members of Priory Finance Property Holdings No. 1 Limited

We have audited the financial statements of Priory Finance Property Holdings No. 1 Limited for the year ended 31 December 2008 which comprise the Profit and loss account, the Balance sheet 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 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 whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 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 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Manchester

28 May 2009

**Profit and loss account**  
*for the year ended 31 December 2008*

	Note	2008 £	2007 £
Interest receivable and similar income	4	38	43
<b>Profit on ordinary activities before taxation</b>	2	<b>38</b>	<b>43</b>
Tax on profit on ordinary activities	5	(11)	(13)
<b>Profit for the financial year</b>	9	<b>27</b>	<b>30</b>

The company had no other recognised gains and 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 before taxation and the profit for the year stated above and their historical cost equivalents.

The results for the year derive from continuing activities.

**Balance sheet**  
**at 31 December 2008**

	Note	£	2008 £	£	2006 £
<b>Fixed assets</b>					
Investments	6		100		100
<b>Current assets</b>					
Cash at bank and in hand		1,013		975	
<b>Creditors: amounts falling due within one year</b>	7	(34)		(23)	
<b>Net current assets</b>			979		952
<b>Total assets less current liabilities</b>			1,079		1,052
<b>Net assets</b>			1,079		1,052
<b>Capital and reserves</b>					
Called up share capital	8		1,000		1,000
Profit and loss account	9		79		52
<b>Total shareholders' funds</b>	10		1,079		1,052

The financial statements on pages 5 to 10 were approved by the board of directors on 28 May 2009 and were signed on its behalf by:



J Lock  
 Director



## Notes to the financial statements

### 1 Accounting policies

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

#### ***Basis of preparation***

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

The ultimate parent company, Priory Investments Holdings 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.

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 publicly available 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 asset investments***

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

#### ***Taxation***

The charge for taxation is based on the profit for the year and takes into account taxation deferred. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

### 2 Profit on ordinary activities before taxation

The remuneration of the auditors in the current and prior year was borne by another group undertaking.

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.

### 3 Staff numbers and costs

The company had no employees during the year (2007: nil).

## Notes to the financial statements *(continued)*

### 4 Interest receivable and similar income

	2008 £	2007 £
On bank deposits	38	43

### 5 Taxation

	2008 £	2007 £
Corporation tax on profit for the year	11	13

The tax charge of £11 (2007: £13) 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.

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 28.5% (2007: 30%). The actual tax charge for the year and the prior year is at the standard rate of corporation tax so no reconciliation is required.

### 6 Investments

	Total £
<b><i>Interest in partnership</i></b>	
<b><i>Cost</i></b>	
At beginning and end of the year	100
<b><i>Provisions</i></b>	
At beginning and end of the year	-
<b><i>Net book value</i></b>	
At 31 December 2008 and 31 December 2007	100

As at 31 December 2008, the company had a 0.001% economic 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.

## Notes to the financial statements (continued)

### 7 Creditors: amounts falling due within one year

	2008 £	2007 £
Group relief payable	34	23

### 8 Called up share capital

	2008 £	2007 £
<b>Authorised</b>		
1,000 (2007: 1,000) Ordinary shares of £1 each	1,000	1,000
<b>Allotted, called up and fully paid</b>		
1,000 (2007: 1,000) Ordinary shares of £1 each	1,000	1,000

### 9 Profit and loss account

	£
At beginning of the year	52
Profit for the financial year	27
At end of the year	79

### 10 Reconciliation of movement in shareholders' funds

	2008 £	2007 £
Profit for the financial year	27	30
Net addition to shareholders' funds	27	30
Opening shareholders' funds	1,052	1,022
Closing shareholders' funds	1,079	1,052

## Notes to the financial statements *(continued)*

### **11 Ultimate parent company**

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

The ultimate parent company is Priory Investments Holdings Limited (incorporated in the Cayman Islands), which is the parent undertaking of the smallest and largest group to consolidate these financial statements. A copy of the consolidated financial statements can be obtained from the Company Secretary at Priory House, Randalls Way, Leatherhead, Surrey KT22 7TP.

The directors consider that there is no ultimate controlling party of the company.