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## **Priory Finance Company Limited**

Directors' report and financial statements

Year ended 31 December 2006

Incorporated in the Cayman Islands with registered  
number 100676

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## Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2006

### Principal activities

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

### Business review

The results for the year are set out in the profit and loss account on page 5

### Dividends

Dividends of £nil were paid during the year (2005 £nil)

### Directors and directors' interests

The directors who held office during the year were as follows

PJ Greensmith (resigned 22 March 2007)  
 Dr CB Patel (resigned 9 March 2007)  
 Ms CA Valenti

On 23 April 2007, S Bradshaw and Professor C Thompson were appointed as directors of the company

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 and Ms CA Valenti in the shares of Priory Investments Holdings Limited are set out below

	Interest at end of year				Interest at beginning of year or date of appointment if later			
	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	1,553,153	-	200,000	300,000	1,500,000
Ms C A Valenti *	-	25,000	25,000	150,000	-	-	-	-

\* shares held indirectly

### 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



**S Bradshaw**  
Director

c/o Maples and Calder  
Ugland House, South Church Street  
PO Box 309  
George Town, Grand Cayman  
Cayman Islands

17 May 2007

## Statement of directors' responsibilities

The directors of Priory Finance Company Limited ('the directors') are responsible for these financial statements for the year ended 31 December 2005 which are intended to 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 these financial statements, the directors have

- selected suitable accounting policies and applied them consistently,
- made judgements and estimates that are reasonable and prudent,
- stated whether applicable accounting standards have been followed,
- prepared the financial statements on the going concern basis as they believe 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. 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 Company Limited

We have audited the financial statements of Priory Finance Company Limited for the year ended 31 December 2006 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 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 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985 applicable to overseas companies, and
- the information given in the Directors' Report is consistent with the financial statements.



**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
London

17 May 2007

**Profit and loss account**  
*for the year ended 31 December 2006*

	Note	2006 £000	2005 £000
Profit on ordinary activities before interest and tax	2	-	-
Other interest receivable and similar income	3	-	23,991
Net interest payable and similar charges	4	(2)	(24,087)
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(2)	(96)
Tax on loss on ordinary activities	5	135	-
		<hr/>	<hr/>
Profit/(loss) for the financial year		<b>133</b>	<b>(96)</b>
		<hr/>	<hr/>

The company has no recognised gains or losses other than the profit for the year

The historical cost retained profit and the reported retained profit are the same

The results for the year derive from continuing activities

**Balance sheet**  
**at 31 December 2006**

	Note	£'000	2006 £'000	£'000	2005 £'000
<b>Fixed assets</b>					
Investments	6		-		-
<b>Current assets</b>					
Debtors	7	518		383	
Cash at bank and in hand		37		37	
		<u>555</u>		<u>420</u>	
<b>Creditors</b> amounts falling due within one year	8	(38)		(36)	
<b>Net current assets</b>			<u>517</u>		<u>384</u>
<b>Total assets less current liabilities</b>			<u>517</u>		<u>384</u>
<b>Net assets</b>			<u>517</u>		<u>384</u>
<b>Capital and reserves</b>					
Called up share capital	9		1		1
Profit and loss account	10		516		383
<b>Shareholders' funds – equity</b>			<u>517</u>		<u>384</u>

These financial statements were approved by the board of directors on 17 May 2007 and were signed on its behalf by



**S Bradshaw**  
 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 Financial Reporting Standard 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

As the company is a wholly owned subsidiary of Priory Investments Holdings Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group

#### **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

#### **Group relief**

Payment is generally made for group relief at a rate of 30% 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

### 2 Auditors and directors' remuneration

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

The directors received no emoluments for services to the company during the year (2005 *£nil*)

The company had no employees during the year (2005 *nil*)

### 3 Other interest receivable and similar income

	2006 £000	2005 £000
Inter-company interest receivable	-	11,128
Reverse premium on novation of swap	-	12,863
	<hr/>	<hr/>
	-	23,991
	<hr/>	<hr/>

## Notes (continued)

### 4 Net interest payable and similar charges

	2006 £000	2005 £000
Financing fees	2	-
On securitised loan notes	-	11,224
Reverse premium on novation of swap	-	12,863
	<u>2</u>	<u>24,087</u>

### 5 Taxation

	2006 £000	2005 £000
Corporation tax on loss for the year	(135)	-

The tax credit of £135,000 in the current year was surrendered to 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 30% (2005 30%)  
 The actual tax charge for the year is above the standard rate for the reasons set out in the following reconciliation

	2006 £000	2005 £000
Loss on ordinary activities before tax	(2)	(96)
Tax on loss on ordinary activities at standard rate	(1)	(29)
<i>Factors affecting charge for the year</i>		
Expenses not deductible for tax purposes	(135)	(3,891)
Tax losses not recognised	1	3,920
Total actual amount of current tax	<u>(135)</u>	<u>-</u>

## Notes (continued)

### 6 Fixed asset investments

<b>Interest in Partnership</b>	£
<b>Cost</b>	
At beginning and end of the year	470
<b>Provisions</b>	
At beginning and end of the year	-
<b>Net book value</b>	
At 31 December 2006 and 31 December 2005	470

As at 31 December 2006, the company had a 47% 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.

### 7 Debtors

	2006 £'000	2005 £'000
Amounts owed by group undertakings	383	383
Group relief recoverable	135	-
	<u>518</u>	<u>383</u>

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

	2006 £000	2005 £000
Amounts owed to group undertakings	3	1
Accruals and deferred income	35	35
	<u>38</u>	<u>36</u>

## Notes (continued)

### 9 Called up share capital

	2006 £	2005 £
<b>Authorised</b>		
10,000 (2005 10,000) ordinary shares of £1 each	10,000	10,000
<b>Allotted, called up and fully paid</b>		
1,000 (2005 1000) ordinary shares of £1 each	1,000	1,000

### 10 Reconciliation of movement in shareholders' funds

	Share capital £000	Profit and loss account £000	2006 Total £000	2005 Total £000
At beginning of the year	1	383	384	480
Retained profit/(loss) for the year	-	133	133	(96)
At end of the year	1	516	517	384

### 11 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