

Priory Solutions (Property) Limited

Directors' report and financial statements

Year ended 31 December 2014

Incorporated in the Cayman Islands with registered

number MC-186975

UK Registered number FC027641

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Strategic report for the year ended 31 December 2014

The directors present their strategic report on Priory Solutions (Property) Limited for the year ended 31 December 2014

Principal activities

The principal activity of the company is to act as a property development company

Business review

The results for the year are set out in the profit and loss account on page 4 and the position of the company as at the year end is set out in the balance sheet on page 5

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

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

The company's management is committed to a continued growth strategy

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

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

By order of the board



D Hall
Company secretary
7 September 2015

Directors' report for the year ended 31 December 2014

The directors present their report and the financial statements for the year ended 31 December 2014

Going concern

The ultimate 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.

Dividends

The directors do not recommend the payment of a dividend (2013: £nil)

Directors

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

| | |
|---------|--------------------------|
| J Lock | (resigned 1 April 2015) |
| M Moran | (appointed 1 April 2015) |

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.

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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102).

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 102, 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 102 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.

Directors' report for the year ended 31 December 2014 *(continued)*

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 with the Companies Act 2006 as applied to overseas companies.

By order of the board



D Hall
Company secretary

PO Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

7 September 2015

Profit and loss account and statement of changes in equity
for the year ended 31 December 2014

| | <i>Note</i> | 2014 £000 | 2013 £000 |
|--|-------------|----------------------------|----------------------------|
| Interest payable and similar charges | 3 | (22) | (23) |
| Loss on ordinary activities before taxation | 2 | (22) | (23) |
| Tax on loss on ordinary activities | 4 | (7) | (8) |
| Loss for the financial year | | (29) | (31) |
| Net reduction in shareholders' equity | | (29) | (31) |
| Opening shareholders' equity | | (177) | (146) |
| Closing shareholders' equity | | (206) | (177) |

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


There is no other comprehensive income for the period

Balance sheet

As at 31 December 2014

| | Note | £000 | 2014 £000 | £000 | 2013 £000 |
|---|------|------|--------------|------|--------------|
| Current assets | | | | | |
| Debtors | 5 | 501 | | 531 | |
| Creditors amounts falling due within one year | 6 | (7) | | (8) | |
| Net current assets | | | 494 | | 523 |
| Creditors amounts falling due after more than one year | 7 | | (700) | | (700) |
| Net liabilities | | | (206) | | (177) |
| Capital and reserves | | | | | |
| Called up share capital | 8 | | - | | - |
| Share premium | 9 | | 10 | | 10 |
| Retained earnings | 9 | | (216) | | (187) |
| Total shareholders' equity | | | (206) | | (177) |

The financial statements on pages 4 to 10 were approved by the board of directors on 7 September 2015 and were signed on its behalf by



M Moran
 Director

UK registered number FC027641

Notes to the financial statements for the year ended 31 December 2014

1 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 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 United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102) and UK companies' legislation as applied to overseas companies. References in these financial statements to the Companies Act and other legislation are therefore references to UK legislation. These financial statements comply with the Companies Act 2006 as applied to overseas companies.

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.

The ultimate 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.

The company has adopted FRS 102 in these financial statements. The company's date of transition to FRS 102 is 1 January 2013. The company has notified its shareholders in writing about, and they do not object to, the use of the disclosure exemptions used by the company in these financial statements. The impact of the amendments to the company's previously adopted accounting policies in accordance with UK GAAP (excluding FRS 102) was not material to the shareholders' equity as at the date of transition or as at 31 December 2013 or as at 31 December 2014, nor on the profit or loss for the years ended 31 December 2013 and 31 December 2014.

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

The company has taken advantage of the exemption, under FRS 102 from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Priory Group No 1 Limited, includes the company's cash flows in its own consolidated financial statements.

The preparation of financial statements in conformity with FRS 102 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.

Notes to the financial statements for the year ended 31 December 2014 (continued)

1 Accounting policies (continued)

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment

Land is not depreciated on the basis that land has an unlimited life

Deferred taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured in a non-discounted basis

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

Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments

Financial liabilities, comprising loans from fellow group companies, are initially recognised at transaction price and subsequently carried at amortised cost using the effective interest method

2 Loss on ordinary activities before taxation

The directors received no emoluments for services to the company during the year (2013 nil). The company had no employees during the current or prior year

3 Interest payable and similar charges

| | 2014 £000 | 2013 £000 |
|--|--------------|--------------|
| Interest payable to group undertakings | 22 | 23 |

Notes to the financial statements for the year ended 31 December 2014 (continued)

4 Tax on loss on ordinary activities

| | 2014 £000 | 2013 £000 |
|------------------------------------|--------------|--------------|
| <i>UK corporation tax</i> | | |
| Current tax on income for the year | 7 | 8 |

The tax charge of £7,000 (2013 £8,000) in the year is to be 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 21.5% (2013 23.25%) The actual tax charge for the year is higher than (2013 higher than) the standard rate of corporation tax for the reasons set out in the following reconciliation

| | 2014 £000 | 2013 £000 |
|---|--------------|--------------|
| Loss on ordinary activities before tax | (22) | (23) |
| Tax on loss on ordinary activities at standard rate | (5) | (5) |
| <i>Factors affecting charge for the year</i> | | |
| Transfer pricing adjustment | 12 | 13 |
| Total actual amount of current tax | 7 | 8 |

The standard rate of corporation tax in the UK changed from 23% to 21% with effect from 1 April 2014. Accordingly, the company's profits for this accounting year are taxed at an effective rate of 21.5% (2013 23.25%).

In his budget speech on 20 March 2013, the Chancellor announced that the main rate of corporation tax would change from 21% to 20% from 1 April 2015. This change was substantively enacted in July 2013.

Notes to the financial statements for the year ended 31 December 2014
(continued)

5 Debtors

| | 2014 | 2013 |
|-------------------------------------|-------------|------|
| | £000 | £000 |
| Amounts due from group undertakings | 501 | 531 |

Amounts due from group undertakings due within one year are non-interest bearing and repayable on demand

6 Creditors: amounts falling due within one year

| | 2014 | 2013 |
|----------------------|-------------|------|
| | £000 | £000 |
| Group relief payable | 7 | 8 |

7 Creditors: amounts falling due after more than one year

| | 2014 | 2013 |
|-----------------------------------|-------------|------|
| | £000 | £000 |
| Amounts due to group undertakings | 700 | 700 |

Amounts due to group undertakings are unsecured, bear interest at LIBOR plus 2.25% per annum and are repayable on demand. It is not expected that the demand would be made or that these amounts will be paid within one year and accordingly these amounts have been shown as amounts falling due after more than one year.

8 Called up share capital

| | 2014 | 2013 |
|---|-------------|------|
| | £ | £ |
| Allotted, called up and fully paid | | |
| 2 (2013: 2) ordinary shares of £1 each | 2 | 2 |

Notes to the financial statements for the year ended 31 December 2014 (continued)

9 Reserves

| | Share Premium £000 | Retained earnings £000 |
|---------------------------|--------------------------|------------------------------|
| At beginning of the year | 10 | (187) |
| Loss for the year | - | (29) |
| At end of the year | 10 | (216) |

10 Contingent liabilities

At 31 December 2014, borrowings of a fellow group undertaking were secured by fixed and floating charges over all the assets of the company

11 Ultimate parent company

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

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

Priory Group No 1 Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2014. Priory Group No 3 PLC is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2014. 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