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**Priory Eastwood Grange (Property)  
Limited**

Directors' report and financial statements

Year ended 31 December 2010

Incorporated in the Cayman Islands with registered  
number MC-187002

UK Registered number FC027629

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## **Directors' report**

The directors present their report and the financial statements for the year ended 31 December 2010

### **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 Investment Holdings Limited, which includes the company, is 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 Investment 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 (2009 £nil)

### **Directors**

The directors who held office during the year were as follows

Professor C Thompson  
J Lock

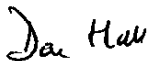
In accordance with the articles of association, no directors retire by rotation

## Directors' report *(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 309GT  
Ugland House  
South Church Street  
George Town  
Grand Cayman  
Cayman Islands

21 April 2011

## Statement of directors' responsibilities

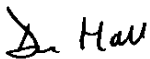
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 UK 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 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



**D Hall**  
*Company Secretary*

21 April 2011

**Profit and loss account**  
*for the year ended 31 December 2010*

	<i>Note</i>	<b>2010 £000</b>	<b>2009 £000</b>
<b>Operating result</b>		-	-
Interest payable and similar charges	3	(10)	(15)
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>	2	(10)	(15)
Tax credit on loss on ordinary activities	4	3	4
		<hr/>	<hr/>
<b>Loss for the financial year</b>	9	(7)	(11)
		<hr/>	<hr/>

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

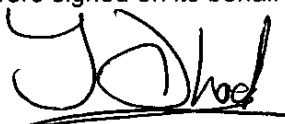
The company had no other recognised gains or losses for the year other than the loss above, therefore no statement of total recognised gains and losses is presented

There is no difference between the loss on ordinary activities before taxation and the loss for the year stated above and their historical cost equivalents

**Balance sheet**  
**at 31 December 2010**

	<i>Note</i>	<b>£000</b>	<b>2010 £000</b>	<b>£000</b>	<b>2009 £000</b>
<b>Fixed assets</b>					
Tangible assets	5		300		300
<b>Current assets</b>					
Debtors	6	28		25	
Creditors amounts falling due within one year	7	(363)		(353)	
<b>Net current liabilities</b>			<b>(335)</b>		<b>(328)</b>
<b>Total assets less current liabilities</b>			<b>(35)</b>		<b>(28)</b>
<b>Net liabilities</b>			<b>(35)</b>		<b>(28)</b>
<b>Capital and reserves</b>					
Called up share capital	8		-		-
Share premium	9		10		10
Profit and loss account	9		(45)		(38)
<b>Total shareholders' deficit</b>	10		<b>(35)</b>		<b>(28)</b>

The financial statements on pages 4 to 9 were approved by the board of directors on 21 April 2011 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 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.

The ultimate parent company, Crown Newco 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.

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.

#### ***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.

#### ***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 FRS 19.

#### ***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 change.

### 2 Loss on ordinary activities before taxation

The directors received no emoluments for services to the company during the year (2009 nil).

The company had no employees during the current or prior year.



## Notes to the financial statements (continued)

### 3 Interest payable and similar charges

	2010 £000	2009 £000
Interest payable to group undertakings	10	15

### 4 Tax on loss on ordinary activities

	2010 £000	2009 £000
<i>UK corporation tax</i>		
Current tax credit on loss for the year	(3)	(4)

The tax credit of £3,000 (2009 £4,000) in the year is to be 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 28% (2009 28%) The actual tax charge for the year and prior period is at the standard rate of corporation tax so no reconciliation is required

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement The Finance (No 2) Act 2010, which was substantively enacted on 20 July 2010, includes legislation reducing the main rate of corporation tax from 28% to 27% from 1 April 2011 A number of further changes to the UK Corporation tax system were announced in the March 2011 UK Budget Statement A resolution passed by Parliament on 29 March 2011 has reduced the main rate of corporation tax from 27% to 26% from 1 April 2011 Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 is expected to be included in the Finance Act 2011 Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014 None of these expected rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements

### 5 Tangible assets

	Freehold land £000
<b>Cost</b>	
At beginning and end of the year	300
<b>Depreciation</b>	
At beginning of the year	-
Charge for the year	-
At end of the year	-
<b>Net book value</b>	
At 31 December 2010	300
At 31 December 2009	300

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

### 6 Debtors

	2010 £000	2009 £000
Amounts due from group undertakings	25	21
Group relief recoverable	3	4
	<u>28</u>	<u>25</u>

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

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

	2010 £000	2009 £000
Amounts due to group undertakings	363	353

Amounts due to group undertakings are unsecured, bear interest at LIBOR plus 2.25% per annum and are repayable on demand

### 8 Called up share capital

	2010 £	2009 £
<i>Allotted, called up and fully paid</i>		
2 ordinary shares of £1 each	2	2

### 9 Reserves

	Share premium £000	Profit and loss account £000
At beginning of the year	10	(38)
Loss for the year	-	(7)
At end of the year	<u>10</u>	<u>(45)</u>

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

### 10 Reconciliation of movements in shareholders' funds

	2010 £000	2009 £000
Loss for the financial year	(7)	(11)
<b>Net reduction in shareholders' funds</b>	<b>(7)</b>	<b>(11)</b>
Opening shareholders' deficit	(28)	(17)
<b>Closing shareholders' deficit</b>	<b>(35)</b>	<b>(28)</b>

### 11 Contingent liabilities

At 31 December 2010, bank loans of a fellow group undertaking were secured by fixed and floating charges over all the assets of the company

The company's ultimate parent undertaking, Priory Investments Holdings Limited, was acquired by Crown Newco 3 plc on 4 March 2011 (see note 12). On 3 February 2011, Crown Newco 3 plc issued £600m of high yield bonds, comprising £425m senior secured notes with a fixed rate of 7.0% and £175m senior unsecured notes with a fixed rate of 8.875%, with maturity dates of 15 February 2018 and 15 February 2019 respectively. The proceeds from the issue of the bonds were held in escrow until 4 March 2011 when the sale of Priory Investments Holdings Limited to Crown Newco 3 plc was completed. On completion of the sale, all bank loans of fellow group undertakings were repaid in full. The senior secured notes issued by Crown Newco 3 plc are secured by fixed and floating charges over the assets of the company.

### 12 Ultimate parent company

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

At 31 December 2010, the company's ultimate parent company was 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. At that date, the directors considered that there was no ultimate controlling party of the company.

On 4 March 2011, Priory Investments Holdings Limited was acquired by Crown Newco 3 plc, a subsidiary of Crown Newco 1 Limited. As a result of the transaction, the company's ultimate parent company from 4 March 2011 onwards is Crown Newco 1 Limited (incorporated in England). Crown Newco 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.