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Priory Condover (Property) Limited

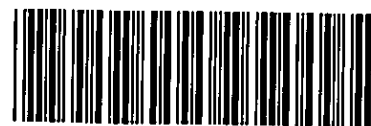
Directors' report and financial statements

Year ended 31 December 2008

Incorporated in the Cayman Islands with registered
number MC-186971

UK Registered number: FC027630

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Directors' report

The directors present their report and the financial statements for the year ended 31 December 2008. The comparatives are for the period from 8 May 2007 (date of incorporation) to 31 December 2007.

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.

On 30 September 2008, the company sold certain land and buildings to Priory Holdings Company No. 4 Limited (a fellow subsidiary undertaking) for a consideration of £16.8 million which gave rise to a profit on disposal of £1,041,000.

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 (2007: *£nil*).

Directors

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

S Mukerji	(resigned 7 July 2008)
S Bradshaw	
Professor C Thompson	
J Lock	(appointed 15 September 2008)

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

Directors' report *(continued)*

Auditors

The company is incorporated and registered in the Cayman Islands and does not require the publication of audited financial statements. These financial statements comply with section 700 of the Companies Act 1985 (as amended by Statutory Instrument 1990 No. 440).

By order of the board



D Hall
Company Secretary

PO Box 309GT
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands

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



D Hall
Company Secretary

28 May 2009

Profit and loss account

for the year ended 31 December 2008 (prior period: 8 May 2007 to 31 December 2007)

	Note	Year ended 31 December 2008 £000	Period from 8 May 2007 to 31 December 2007 £000
Turnover		1,925	1,130
Cost of sales		(486)	(145)
Operating profit		1,439	985
Permanent diminution in value of property		(5,411)	-
Profit on disposal of fixed assets		1,041	-
(Loss)/profit before interest and tax		(2,931)	985
Interest payable and similar charges	5	(2,174)	(1,314)
Loss on ordinary activities before taxation	2	(5,105)	(329)
Tax credit on loss on ordinary activities	6	109	85
Loss for the financial period	12	(4,996)	(244)

The results for the current and prior period 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 before taxation and the loss for the year stated above and their historical cost equivalents.

Balance sheet
at 31 December 2008

	Note	2008 £000	2007 £000
Fixed assets			
Tangible assets	7	5,511	27,166
Current assets			
Debtors	8	20,035	1,225
Creditors: amounts falling due within one year	9	(3,465)	(1,314)
Net current assets/(liabilities)		16,570	(89)
Total assets less current liabilities		22,081	27,077
Creditors: amounts falling due after more than one year	10	(27,311)	(27,311)
Net liabilities		(5,230)	(234)
Capital and reserves			
Called up share capital	11	-	-
Share premium	12	10	10
Profit and loss account	12	(5,240)	(244)
Total shareholders' deficit	13	(5,230)	(234)

The financial statements on pages 4 to 11 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 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 and under the historical cost convention. References in these financial statements to Companies Act and other legislation are therefore references to UK legislation. These financial statements comply with section 700 of the Companies Act 1985 (as amended by Statutory Instrument 1990 No. 440).

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 Financial Reporting Standard 1 'Cash flow statements' (revised 1996) 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 'Related party disclosures' and has therefore not disclosed transactions or balances with entities which form part of the group.

Tangible assets and depreciation

Tangible assets are stated at cost, net of depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings and long leasehold properties	-	50 years
Fixtures and fittings	-	3 to 16 years

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

The expected useful lives of the assets to the business are re-assessed periodically in light of experience.

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.

Notes to the financial statements (continued)

1 Accounting policies (continued)

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.

Turnover and revenue recognition

Turnover represents rental income from fellow group undertakings. Revenue is recognised in the period to which the rental income relates. All of the company's turnover is in the United Kingdom.

2 Loss on ordinary activities before taxation

	Year to 31 Dec 2008 £000	8 May to 31 Dec 2007 £000
Loss on ordinary activities before taxation is stated:		
<i>after charging</i>		
Depreciation and other amounts written off tangible fixed assets:		
Owned	486	145
Permanent diminution in value of property	5,411	-
<i>after crediting</i>		
Profit on disposal of fixed assets	1,041	-
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3 Directors' remuneration

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.

4 Staff numbers and costs

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

5 Interest payable and similar charges

	Year to 31 Dec 2008 £000	8 May to 31 Dec 2007 £000
Interest payable to group undertakings	2,174	1,314
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Notes to the financial statements (continued)

6 Tax on loss on ordinary activities

	Year to 31 Dec 2008 £000	8 May to 31 Dec 2007 £000
<i>UK corporation tax</i>		
Current tax on losses of the financial period	(106)	(85)
Adjustment to tax charge in respect of prior years	(3)	-
	<u>(109)</u>	<u>(85)</u>

The tax credit of £106,000 (2007: £85,000) 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 28.5% (2007: 30%). The actual tax credit for the period is lower than the standard rate for the reasons set out in the following reconciliation:

	Year to 31 Dec 2008 £000	8 May to 31 Dec 2007 £000
Loss on ordinary activities before tax	(5,105)	(329)
Tax on loss on ordinary activities at standard rate	(1,455)	(99)
<i>Factors affecting charge for the year</i>		
Capital allowances for period in excess of depreciation	-	(26)
Depreciation of non-qualifying assets	117	39
Disposal of fixed assets	(297)	-
Permanent diminution in value of property	1,542	-
Other timing differences	(13)	-
Expenses not deductible for tax purposes (including goodwill amortisation)	(3)	1
Total actual amount of current tax	<u>(109)</u>	<u>(85)</u>

Notes to the financial statements (continued)

7 Tangible assets

	Freehold land and buildings £000	Fixtures and fittings £000	Total £000
Cost			
At 1 January 2008	26,976	335	27,311
Disposals	(16,000)	-	(16,000)
At 31 December 2008	10,976	335	11,311
Depreciation			
At 1 January 2008	132	13	145
Charge for the year	465	21	486
Disposals	(242)	-	(242)
Permanent diminution in value of property	5,411	-	5,411
At 31 December 2008	5,766	34	5,800
Net book value			
At 31 December 2008	5,210	301	5,511
At 31 December 2007	26,844	322	27,166

8 Debtors

	2008 £000	2007 £000
Amounts due from group undertakings	19,926	1,140
Group relief recoverable	109	85
	20,035	1,225

9 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Amounts due to group undertakings	3,465	1,314

Amounts due to group undertakings are unsecured, non-interest bearing and repayable on demand.

Notes to the financial statements (continued)

10 Creditors: amounts falling due after more than one year

	2008 £000	2007 £000
Amounts due to group undertakings	27,311	27,311

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.

11 Called up share capital

	2008 £	2007 £
Authorised		
24,000 ordinary shares of £1 each	24,000	24,000
Allotted, called up and fully paid		
2 ordinary shares of £1 each	2	2

12 Reserves

	Share premium £000	Profit and loss account £000
At 1 January 2008	10	(244)
Loss for the year	-	(4,996)
At 31 December 2008	10	(5,240)

Notes to the financial statements *(continued)*

13 Reconciliation of movements in shareholders' deficit

	2008 £000	2007 £000
Loss for the financial period	(4,996)	(244)
New share capital issued	-	10
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Net reduction in shareholders' funds	(4,996)	(234)
Opening shareholders' deficit	(234)	-
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Closing shareholders' deficit	(5,230)	(234)
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14 Contingent liabilities

Bank loans of a fellow group undertaking are secured by fixed and floating charges over all the assets of the company.

15 Ultimate parent company

The company's immediate parent company, which is incorporated in the Cayman Islands is Priory Holdings Company 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.