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## **Priory Condover (Property) Limited**

Directors' report and financial statements

Year ended 31 December 2011

Incorporated in the Cayman Islands with registered  
number MC-186971

UK Registered number FC027630



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## **Directors' report**

The directors present their annual report and the financial statements for the year ended 31 December 2011

### **Principal activities**

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

### **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 3 and the position of the company as at the year end is set out in the Balance sheet on page 4

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 Prory Group No 1 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 Prory 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

### **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 Prory 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

### **Going concern**

The ultimate parent company, Prory 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 (2010 *£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*)

### 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

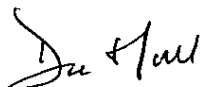
- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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.

### 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  
Cayman Islands  
KY1-1104

6 September 2012

**Profit and loss account**  
*for the year ended 31 December 2011*

	<i>Note</i>	<b>2011 £000</b>	<b>2010 £000</b>
Turnover		-	575
Cost of sales		-	(205)
		<hr/>	<hr/>
Operating profit		-	370
Loss on disposal of fixed assets		(2)	(288)
		<hr/>	<hr/>
(Loss)/profit before interest and tax		(2)	82
Interest payable and similar charges	5	(1,021)	(11)
		<hr/>	<hr/>
(Loss)/profit on ordinary activities before taxation	2	(1,023)	71
Tax credit/(charge) on (loss)/profit on ordinary activities	6	301	(63)
		<hr/>	<hr/>
(Loss)/profit for the financial period	11	(722)	8
		<hr/>	<hr/>

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

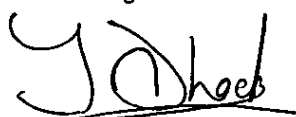
The company had no other recognised gains or losses for the year other than the (loss)/profit above, therefore no statement of total recognised gains and losses is presented

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

**Balance sheet**  
**at 31 December 2011**

	Note	£000	2011 £000	£000	2010 £000
<b>Current assets</b>					
Debtors	7	26,823		26,525	
<b>Creditors</b> amounts falling due within one year	8	(4,938)		(4,939)	
<b>Net current assets</b>			<b>21,885</b>		<b>21,586</b>
<b>Total assets less current liabilities</b>			<b>21,885</b>		<b>21,586</b>
<b>Creditors</b> amounts falling due after more than one year	9		(28,332)		(27,311)
<b>Net liabilities</b>			<b>(6,447)</b>		<b>(5,725)</b>
<b>Capital and reserves</b>					
Called up share capital	10		-		-
Share premium	11		10		10
Profit and loss account	11		(6,457)		(5,735)
<b>Total shareholders' deficit</b>	12		<b>(6,447)</b>		<b>(5,725)</b>

The financial statements on pages 3 to 10 were approved by the board of directors on 6 September 2012 and were signed on its behalf by



**J Lock**  
Director

UK registered number FC027630

## 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, 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.

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 Group No 1 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.

#### ***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.

#### ***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.

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

### 2 (Loss)/profit on ordinary activities before taxation

	2011 £000	2010 £000
<i>(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Depreciation and other amounts written off tangible fixed assets		
Owned	-	205
Loss on disposal of fixed assets	2	288
	<u>2</u>	<u>288</u>

### 3 Directors' remuneration

The directors received no emoluments for services to the company during the year (2010 nil)

### 4 Staff numbers and costs

The company had no employees during the current or prior year

### 5 Interest payable and similar charges

	2011 £000	2010 £000
Interest payable to group undertakings	1,021	11
	<u>1,021</u>	<u>11</u>

### 6 Tax on loss on ordinary activities

	2011 £000	2010 £000
<i>UK corporation tax</i>		
Current tax (credit)/charge arising in the year	(271)	158
Current tax adjustment in respect of prior years	(150)	25
<b>Total current tax (credit)/charge</b>	<u>(421)</u>	<u>183</u>
Deferred tax charge arising in the year	-	(201)
Deferred tax adjustment in respect of prior years	120	81
<b>Total deferred tax charge/(credit)</b>	<u>120</u>	<u>(120)</u>
<b>Total tax (credit)/charge</b>	<u>(301)</u>	<u>63</u>

The current tax credit of £421,000 (2010 charge of £183,000) 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

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

### 6 Tax on loss on ordinary activities *(continued)*

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 26.49% (2010 28%). The actual tax credit for the period is higher than (2010 charge higher than) the standard rate for the reasons set out in the following reconciliation

	2011 £000	2010 £000
(Loss)/profit on ordinary activities before tax	(1,023)	71
Tax on (loss)/profit on ordinary activities at standard rate	(271)	20
<i>Factors affecting charge for the year</i>		
Capital allowances for period in excess of depreciation	-	201
Depreciation of non-qualifying assets	-	(67)
Rate differences	-	4
Adjustment to tax in respect of prior years	(150)	25
Total actual amount of current tax (credit)/charge	(421)	183

The standard rate of corporation tax in the UK changed from 28% to 26% with effect from 1 April 2011. A further reduction in this corporation tax rate effective on 1 April 2012 from 26% to 25% was substantively enacted for the purposes of FRS 19 on 5 July 2011. Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 26.49% and deferred taxation has been calculated based on a rate of 25%.

UK corporation tax system were announced in the March 2012 UK Budget Statement. Changes to the corporation tax rate on 1 April 2012, substantively enacted for the purposes of FRS 19 on 26 March 2012, will reduce to 24%, a 1% reduction from the rate substantively enacted on 5 July 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 22% by 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The proposed reductions of the main rate of corporation tax by 1% per year to 22% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 25% to 22%, if these applied to the deferred tax balance at the balance sheet date, would be immaterial.

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

### 7 Debtors

	2011 £000	2010 £000
Amounts due from group undertakings	26,402	26,405
Deferred tax asset	-	120
Group relief recoverable	421	-
	<u>26,823</u>	<u>26,525</u>

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

#### *Deferred tax asset*

	£000
At beginning of the year	120
Credit for the year	(120)
At end of the year	<u>-</u>

Deferred tax arises on the following timing differences	2011 £000	2010 £000
Accelerated capital allowances	<u>-</u>	<u>120</u>

### 8 Creditors amounts falling due within one year

	2011 £000	2010 £000
Amounts due to group undertakings	4,931	4,939
Accruals and deferred income	7	-
	<u>4,938</u>	<u>4,939</u>

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

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

### 9 Creditors: amounts falling due after more than one year

	2011 £000	2010 £000
Amounts due to group undertakings	28,332	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.

During the prior year, no interest was payable on certain amounts due to group undertakings as the company received a special dispensation from HMRC which negated the need for interest to be charged.

### 10 Called up share capital

	2011 £	2010 £
<i>Allotted, called up and fully paid</i>		
2 ordinary shares of £1 each	2	2

### 11 Reserves

	Share Premium £000	Profit and loss account £000
At 1 January 2011	10	(5,735)
Loss for the year	-	(722)
At 31 December 2011	10	(6,457)

### 12 Reconciliation of movements in shareholders' deficit

	2011 £000	2010 £000
(Loss)/profit for the financial period	(722)	8
Net (reduction in)/addition to shareholders' funds	(722)	8
Opening shareholders' deficit	(5,725)	(5,733)
Closing shareholders' deficit	(6,447)	(5,725)

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

### **13 Contingent liabilities**

At 31 December 2011, borrowings of a fellow group undertaking were secured by fixed and floating charges over all the assets of the company

### **14 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 2011. Priory Group No 3 PLC is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2011. The consolidated financial statements of Priory Group No 1 Limited and Priory Group No 3 PLC can be obtained from the Company Secretary at 21 Exhibition House, Addison Bridge Place, London, W14 8XP