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Priory Finance Company Limited

Directors' report and financial statements

Year ended 31 December 2010

Incorporated in the Cayman Islands with registered
number 100676

UK registered number FC024699

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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 raise finance on behalf of fellow subsidiary undertakings

The company has 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

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

Dividends of £nil were paid during the year (2009 £nil)

Directors

The directors who held office during the year and up to the date of signing the financial statements were as follows

Ms CA Valenti (resigned 17 December 2010)
C Thompson
J Lock

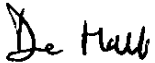
In accordance with the articles of association, no directors retire by rotation

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>	2010 £000	2009 £000
Result on ordinary activities before taxation	2	-	-
Tax (charge)/credit on result on ordinary activities	3	(1,506)	4,488
(Loss)/profit for the financial year	8	(1,506)	4,488

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 financial year stated above and their historical cost equivalents

Balance sheet
 at 31 December 2010

	Note	£'000	2010 £'000	£'000	2009 £'000
Fixed assets					
Investments	4		-		-
Current assets					
Debtors	5	3,922		5,412	
Cash at bank and in hand		37		37	
Creditors amounts falling due within one year	6	3,959 (51)		5,449 (35)	
Net current assets			3,908		5,414
Total assets less current liabilities			3,908		5,414
Net assets			3,908		5,414
Capital and reserves					
Called up share capital	7		1		1
Profit and loss account	8		3,907		5,413
Total shareholders' funds	9		3,908		5,414

The financial statements on pages 4 to 10 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 financial statements have been prepared on the going concern basis.

The company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare group accounts on the grounds that it is included in the consolidated financial statements of a parent undertaking. These financial statements present information about the company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 (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 and has therefore not disclosed transactions or balances with entities which form part of the group.

Investments

Investments are stated at cost less provision for any impairment in value.

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 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.

Notes to the financial statements *(continued)*

2 Result 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 and prior year

3 Tax on profit on ordinary activities

	2010 £000	2009 £000
<i>UK corporation tax</i>		
Current tax credit arising in the year	-	(200)
Current tax adjustment in respect of prior years	16	(629)
	<hr/>	<hr/>
Total current tax	16	(829)
Deferred tax	1,490	(3,659)
	<hr/>	<hr/>
Total tax charge/(credit)	<u>1,506</u>	<u>(4,488)</u>

The tax charge of £116,000 on losses for the year has been relieved by the surrender of losses by other group companies in exchange for payment of the same amount. The tax credit of £829,000 in the prior 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 28% *(2009 28%)*. The actual tax charge for the year is higher than *(2009 lower than)* the standard rate for the reasons set out in the following reconciliation.

	2010 £000	2009 £000
Result on ordinary activities before tax	-	-
	<hr/>	<hr/>
Tax on result on ordinary activities at standard rate	-	-
<i>Factors affecting charge for the year</i>		
Share of partnership's results	875	(200)
Movement in tax losses	(956)	-
Rate differences	81	-
Adjustment to tax charge in respect of prior years	16	(629)
	<hr/>	<hr/>
Total actual amount of current tax	<u>16</u>	<u>(829)</u>

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.

Notes to the financial statements *(continued)*

4 Investments

<i>Interest in Partnership</i>	£
Cost	
At beginning and end of the year	470
	<hr/>
Provisions	
At beginning and end of the year	-
	<hr/>
Net book value	
At 31 December 2010 and 31 December 2009	470
	<hr/> <hr/>

As at 31 December 2010, the company had a 47% economic interest in the partnership capital of Priority Finance Property LLP. The principal activity of the partnership is to raise finance and to lease properties to fellow group undertakings.

5 Debtors

	2010 £'000	2009 £'000
Amounts owed by group undertakings	1,753	924
Group relief recoverable	-	829
Deferred tax assets	2,169	3,659
	<hr/>	<hr/>
	3,922	5,412
	<hr/> <hr/>	<hr/> <hr/>

Amounts due from group undertakings are non-interest bearing and repayable on demand.

An analysis of deferred tax assets, included within debtors, is as follows

	£000
<i>Deferred tax</i>	
At beginning of the year	3,659
Charge for the year	(1,490)
	<hr/>
At end of the year	2,169
	<hr/> <hr/>

Deferred tax arises on the following timing differences	2010 £000	2009 £000
Other timing differences	2,169	3,659
	<hr/>	<hr/>
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements *(continued)*

6 Creditors: amounts falling due within one year

	2010 £000	2009 £000
Group relief payable	16	-
Accruals and deferred income	35	35
	<u>51</u>	<u>35</u>

7 Called up share capital

	2010 £	2009 £
<i>Allotted, called up and fully paid</i> 1,000 ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

8 Reserves

	Profit and loss account £000
At beginning of the year	5,413
Retained loss for the year	(1,506)
At end of the year	<u>3,907</u>

9 Reconciliation of movements in shareholders' funds

	2010 £000	2009 £000
(Loss)/profit for the financial year	(1,506)	4,488
Net addition to shareholders' funds	(1,506)	4,488
Opening shareholders' funds	5,414	926
Closing shareholders' funds	<u>3,908</u>	<u>5,414</u>

Notes to the financial statements *(continued)*

10 Ultimate parent company

The company is a subsidiary undertaking of Prory Health No 2 Limited, which is incorporated in the Cayman Islands

At 31 December 2010, the company's ultimate parent company was Prory 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 Prory 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, Prory 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.