

Priory Specialist Health Division Limited

Directors' report and financial statements

Year ended 31 December 2007

Registered number 3893502

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Directors' report

The directors present their report and the financial statements for the year ended 31 December 2007

Principal activities and business review

The company is a holding company

On 10 May 2007, the company disposed of its investment in Priory Specialist Health Limited to Priory Securitisation Limited (a fellow subsidiary undertaking) for a consideration of £2

Further information regarding the operations and key performance indicators of the group are set out in the directors' report of Priory Investments Holdings Limited

Proposed dividend

Dividends of £3,718,000 were paid during the year (2006 *£nil*)

Directors

The directors who held office during the year were as follows

PJ Greensmith	(resigned 22 March 2007)
Dr CB Patel	(resigned 9 March 2007)
D Spruzen	(appointed 27 July 2006, resigned 24 April 2007)
Professor C Thompson	(appointed 16 April 2007)
S Bradshaw	(appointed 16 April 2007)
S Mukerji	(appointed 2 May 2007)

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

Auditors

In accordance with Section 386 of the Companies Act 1985 (as amended), the Company has elected to dispense with the obligation to appoint auditors annually. Accordingly, PricewaterhouseCoopers LLP will continue in office as auditors

Directors' report *(continued)*

Provision of information to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Each director has taken all the steps that he ought to have taken as director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board



S Mukerji
Company Secretary

Priory House
Randalls Way
Leatherhead
Surrey
KT22 7TP

1 July 2008

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss 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 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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditors' report to the members of Priory Specialist Health Division Limited

We have audited the financial statements of Priory Specialist Health Division Limited for the year ended 31 December 2007 which comprise the Profit and loss account, the Balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Reading

1 July 2008

Profit and loss account
for the year ended 31 December 2007

	Note	2007 £000	2006 £000
Operating result		-	-
Provision against carrying value of investments	4	(48,400)	-
		<hr/>	<hr/>
Loss on ordinary activities before interest and tax	2	(48,400)	-
Income from shares in group undertakings	4	48,737	-
		<hr/>	<hr/>
Profit on ordinary activities before taxation		337	-
Tax on profit on ordinary activities	3	-	-
		<hr/>	<hr/>
Profit for the financial year		337	-
Dividends (£3,718,000 per share)		(3,718)	-
		<hr/>	<hr/>
Amounts transferred to reserves	7	(3,381)	-
		<hr/> <hr/>	<hr/> <hr/>

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

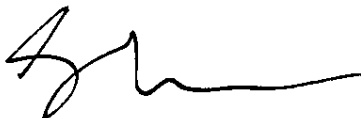
There is no difference between the profit before taxation and the profit for the year stated above and their historical cost equivalents

The results for the year derive from continuing activities

Balance sheet
 at 31 December 2007

	Note	£000	2007 £000	£000	2006 £000
Fixed assets					
Investments	4		-		48,400
Creditors amounts falling due within one year	5	-		(45,019)	
Net current liabilities			-		(45,019)
Net assets			-		3,381
Capital and reserves					
Called up share capital	6		-		-
Profit and loss account	7		-		3,381
Shareholders' funds – equity	8		-		3,381

These financial statements were approved by the board of directors on 1 July 2008 and were signed on its behalf by



S Mukerji
 Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in the company's financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable UK accounting standards and UK company law and under the historical cost accounting rules

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

The company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group

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

Fixed asset investments

Fixed asset investments are stated at cost less provision for any impairment in value

2 Profit on ordinary activities before taxation

The remuneration of the auditors in the year was borne by another group undertaking

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

The company had no employees during the year (2006 nil)

Notes (continued)

3 Taxation

	2007 £000	2006 £000
Corporation tax charge on profit for the year	-	-

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30% (2006 30%)
 The actual tax charge for the year is lower than (2006 the same as) the standard rate for the reasons set out in the following reconciliation

	2007 £000	2006 £000
Profit on ordinary activities before tax	337	-
Tax on profit on ordinary activities at standard rate	101	-
<i>Factors affecting charge for the year</i>		
Income from shares in group undertakings	(14,621)	-
Provision against carrying value of investments	14,520	-
Total actual amount of current tax	-	-

4 Fixed asset investments

	Total £000
Shares in group undertakings	
Cost	
At the beginning of the year	52,500
Disposals	(52,500)
At the end of the year	-
Provisions	
At beginning and end of the year	4,100
Charge of the year	48,400
On disposals	(52,500)
At the end of the year	-
Net book value	
At 31 December 2007	-
At 31 December 2006	48,400

Notes *(continued)*

4 Fixed asset investments *(continued)*

On 10 May 2007, the company received a dividend of £48,737,000 from Priory Specialist Health Limited (a subsidiary undertaking). After receipt of the dividend, the company made a provision of £48,400,000 against the carrying value its investment in Priory Specialist Health Limited to write down the carrying value to £2. On the same date the company then sold it to Priory Specialist Health Limited to Priory Investments Holdings Limited (a parent undertaking) for a consideration of £2.

5 Creditors: amounts falling due within one year

	2007 £000	2006 £000
Amounts owed to group undertakings	-	45,019

6 Called up share capital

	2007 £	2006 £
Authorised 750,000 (2006 750,000) ordinary shares of £1 each	750,000	750,000
Allotted, called up and fully paid 1 (2006 1) ordinary shares of £1 each	1	1

7 Reserves

	Profit and loss account £000
At beginning of the year	3,381
Retained loss for the year	(3,381)
At end of the year	-

Notes (continued)

8 Reconciliation of movements in shareholders' funds

	2007 £000	2006 £000
Profit for the financial year	337	-
Dividends	(3,718)	-
Net reduction in shareholders' funds	(3,381)	-
Opening shareholders' funds	3,381	3,381
Closing shareholders' funds	-	3,381

9 Ultimate parent company

The company's immediate parent company, which is incorporated in England, is Priory Healthcare Holdings Limited

The ultimate parent company and the largest group of which the company is a member and for which group accounts are prepared is that headed by Priory Investments Holdings Limited. A copy of the consolidated accounts can be obtained from the Company Secretary at Priory House, Randalls Way, Leatherhead, Surrey KT22 7TP