

**Priory Specialist Health Division Limited**  
(formerly Westminster Specialist Health Division Limited)

Directors' report and financial statements

Year ended 31 December 2001

Registered number 3893502



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## Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2001. The comparatives are for the period from 8 December 1999 (date of incorporation) to 31 December 2000. On 4 April 2002, the company changed its name to Priory Specialist Health Division Limited.

### Principal activities and business review

The company is a holding company and through its subsidiaries is engaged in the development, acquisition and management of purpose built facilities for specialised health care services.

The results for the year are set out in the profit and loss account on page 4.

### Proposed dividend

The directors do not recommend the payment of a dividend (2000: £nil).

### Directors and directors' interests

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

AG Heywood (resigned 30 April 2002)  
Dr CB Patel  
JD Weight

In accordance with the articles of association, no directors retire by rotation. None of the directors who held office at the end of the financial year had any disclosable interests in the shares of the company. The interests of the directors in the share capital of Priory Healthcare Holdings Limited (formerly Westminster Health Care Holdings Limited), the ultimate parent company, were as follows:

	Interest at end of the year		Interest at start of the year	
	A shares	B shares	A shares	B shares
Dr CB Patel	909,278	9	909,278	9
AG Heywood	75,773	1	75,773	1
JD Weight	15,155	-	15,155	-

### Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

  
JD Weight  
Company secretary

Westminster House  
Randalls Way  
Leatherhead  
Surrey  
KT22 7TZ

10 June 2002

## 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.

## **Report of the independent auditors', KPMG Audit Plc, to the members of Priory Specialist Health Division Limited (formerly Westminster Specialist Health Division Limited)**

We have audited the financial statements on pages 4 to 9.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards 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 judgements 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 of the state of the company's affairs as at 31 December 2001 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

  
**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

8 Salisbury Square  
London  
EC4Y 8BB

10 June 2002

**Profit and loss account**  
*for the year ended 31 December 2001*

	<i>Note</i>	<b>Year to 31 December 2001 £000</b>	Period from 8 December 1999 to 31 December 2000 £000
<b>Operating profit</b>	3	-	-
Net interest receivable	4	1,120	1,028
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	2	1,120	1,028
Tax on profit on ordinary activities	5	(336)	-
		<hr/>	<hr/>
<b>Retained profit for the financial year</b>		<b>784</b>	<b>1,028</b>
		<hr/> <hr/>	<hr/> <hr/>

The company has no recognised gains or losses other than the retained profit for the year.

The historical cost retained profit and the reported profit are the same.

The results for the year derive from continuing activities.

**Balance sheet**  
*at 31 December 2001*

	<i>Note</i>	2001 £000	2000 £000
<b>Fixed assets</b>			
Investments	6	52,500	52,500
<b>Current assets</b>			
Debtors	7	28,964	27,844
<b>Creditors: amounts falling due within one year</b>	8	(79,652)	(79,316)
<b>Net current liabilities</b>			
Due within one year		(64,688)	(65,472)
Debtors due after more than one year	7	14,000	14,000
		(50,688)	(51,472)
<b>Net assets</b>		1,812	1,028
<b>Capital and reserves</b>			
Called up share capital	9	-	-
Profit and loss account	10	1,812	1,028
<b>Shareholders' funds – equity</b>	10	1,812	1,028

These financial statements were approved by the board of directors on 10 June 2002 and were signed on its behalf by:



**JD Weight**  
 Director

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### *Basis of preparation*

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

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 Healthcare Holdings Limited (formerly Westminster Health Care 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 assets*

Fixed asset 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 because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

### 2 Profit on ordinary activities before taxation

The remuneration of the auditors in the current and preceding financial year was borne by another group company.

### 3 Remuneration of directors

The directors received no emoluments for services to the company during the year (2000: £nil).

### 4 Net interest receivable

	Year to 31 Dec 2001 £000	8 Dec 1999 to 31 Dec 2000 £000
Inter-company interest receivable	1,120	1,028



**Notes (continued)**

**5 Taxation**

	<b>Year to 31 Dec 2001 £'000</b>	<b>8 Dec 1999 to 31 Dec 2000 £000</b>
Corporation tax charge on income for the year at 30%	<b>336</b>	-

The UK corporation tax on profit on ordinary activities of £336,000 has been relieved by the surrender of losses by other group companies in exchange for payment of the same amount.

In the prior financial year, the UK corporation tax on profit on ordinary activities has been relieved by the surrender of losses by other group companies for which no consideration was paid.

**6 Fixed asset investments**

	<b>Total £000</b>
<i>Shares in group undertakings</i>	
<i>Cost</i>	
At the beginning and end of the year	52,500
<i>Provisions</i>	
At beginning and end of the year	-
<i>Net book value</i>	
At 31 December 2001	<b>52,500</b>
At 31 December 2000	52,500

The undertakings in which the company's interest at the year end is more than 20% are as follows:

	<b>Principal activities</b>	<b>Class and percentage of share held</b>
<i>Subsidiary undertakings</i>		
Priory Specialist Health Limited *	Intermediate holding company	100% ordinary
Priory Healthcare Limited	Property investment	100% ordinary
Priory Hospitals Limited	Psychiatric and other specialist healthcare services	100% ordinary
Priory Childcare Services Limited	Specialist schools for children with behavioural difficulties	100% ordinary
Libra Health Limited	Psychiatric and other specialist healthcare services	100% ordinary
Highbank Healthcare Limited	Brain injury rehabilitation services	100% ordinary
Farm Place Limited	Drug rehabilitation services	100% ordinary
Blenheim House Limited	Forensic psychiatric services	100% ordinary
Libra Health Group Limited	Intermediate holding company	100% ordinary

\* interests held directly.

**Notes (continued)**

**7 Debtors**

	2001 £000	2000 £000
<i>Due within one year</i>		
Amounts owed by group undertakings	14,964	13,844
	<hr/>	<hr/>
<i>Due after more than one year</i>		
8% unsecured loan stock due 2010 owed by direct subsidiary	14,000	14,000
	<hr/>	<hr/>
Total debtors	<u>28,964</u>	<u>27,844</u>

**8 Creditors: amounts falling due within one year**

	2001 £000	2000 £000
Amounts owed to group undertakings	79,316	79,316
Group relief payable	336	-
	<hr/>	<hr/>
	<u>79,652</u>	<u>79,316</u>

**9 Called up share capital**

	2001 £	2000 £
<i>Authorised</i>		
750,000 (2000: 750,000) ordinary shares of £1 each	750,000	750,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
1 (2000: 1) ordinary shares of £1 each	1	1
	<hr/>	<hr/>

**10 Reconciliation of movement in shareholders' funds**

	Share capital	Profit and loss account £000	2001 Total £000	2000 Total £000
At beginning of the year	-	1,028	1,028	-
Issue of shares	-	-	-	-
Retained profit for the year	-	784	784	1,028
	<hr/>	<hr/>	<hr/>	<hr/>
At end of the year	<u>-</u>	<u>1,812</u>	<u>1,812</u>	<u>1,028</u>

**Notes** *(continued)*

**11 Contingent liabilities**

The company has entered into banking facilities set-off agreements in respect of which guarantees have been given. The aggregate amount outstanding under the agreements was £396,000 at 31 December 2001 (*2000: £nil*).

**12 Ultimate parent company and parent undertaking of larger group of which the company is a member**

The company is a subsidiary undertaking of, and is controlled by, Priory Healthcare Holdings Limited (formerly Westminster Health Care Holdings Limited) which is incorporated in England.

The largest group in which the results of the company are consolidated is that headed by Priory Healthcare Holdings Limited (formerly Westminster Health Care Holdings Limited). No other group accounts include the results of the company.