

Highbank Private Hospital Limited

Directors' report and financial statements

Year ended 31 December 2006

Registered number 2049088

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Directors' report

The directors present their annual report and the financial statements for the year ended 31 December 2006

Principal activities

The company's principal activity is the development of units for the care of individuals with an acquired brain injury, stroke or other form of neurological disorder

Business review

The company did not trade during the year

Dividends

The directors do not recommend the payment of a dividend (2005 £nil)

Directors and directors' interests

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)

On 16 April 2007, S Bradshaw and Professor C Thompson were appointed as directors of the company

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 interest in the shares of the company

The interests of Dr CB Patel in the shares of Priory Investments Holdings Limited (the ultimate parent company) are disclosed in the financial statements of that company

The interests of PJ Greensmith and D Spruzen in the shares of Priory Investments Holdings Limited are set out below.

	Interest at end of year				Interest at beginning of year or date of appointment if later			
	A Ordinary shares	B Ordinary shares	Non Voting B Ordinary shares	Preference shares	A Ordinary shares	B Ordinary shares	Non Voting B Ordinary shares	Preference shares
PJ Greensmith	-	200,000	300,000	1,553,153	-	200,000	300,000	1,500,000
D Spruzen *	-	100,000	100,000	53,153	-	100,000	100,000	53,153

* B Ordinary shares and Non Voting B Ordinary shares held indirectly

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



Professor C Thompson
Director

Priory House
Randalls Way
Leatherhead
Surrey
KT22 7TP

17 May 2007

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 year. 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 Highbank Private Hospital Limited

We have audited the financial statements of Highbank Private Hospital Limited for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet, the reconciliation of movement in shareholders' funds 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 2006 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
London

17 May 2007

Profit and loss account
for the year ended 31 December 2006

	Note	2006 £000	2005 £000
Administrative expenses		(2)	(28)
Operating loss		(2)	(28)
Profit on disposal of fixed assets		-	4,924
(Loss)/profit on ordinary activities before interest and tax		(2)	4,896
Interest receivable and similar income	3	155	23
Interest payable and similar charges	4	(101)	(96)
Profit on ordinary activities before taxation	2	52	4,823
Tax on profit on ordinary activities	5	(46)	(7)
Profit for the financial year		6	4,816
Dividends		-	(5,280)
Amount transferred to reserves	10	6	(464)

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

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

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

Balance sheet
at 31 December 2006

	Note	2006 £000	2005 £000
Current assets			
Debtors	6	3,064	2,912
Cash at bank and in hand		-	29
		<u>3,064</u>	<u>2,941</u>
Creditors: amounts falling due within one year	7	<u>(1,759)</u>	<u>(3,117)</u>
Net current assets/(liabilities)			
Due within one year		(948)	(176)
Debtors due after more than one year	6	<u>2,253</u>	-
		1,305	(176)
Creditors: amounts falling due after more than one year	8	<u>(1,475)</u>	-
Net liabilities		<u>(170)</u>	<u>(176)</u>
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account	10	<u>(170)</u>	<u>(176)</u>
Shareholders' funds - equity		<u>(170)</u>	<u>(176)</u>

These financial statements were approved by the board of directors on 17 May 2007 and were signed on its behalf by

Professor C Thompson
 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 accounting standards and under the historical cost accounting rules, modified to include the revaluation of certain land and buildings

Under FRS 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

The company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group

Tangible fixed assets and depreciation

Assets in course of construction represent the direct costs of purchasing, constructing and installing tangible fixed assets ahead of their productive use. No depreciation is provided on an asset that is in the course of construction until it is completed and transferred to an asset heading that is appropriate

2 Auditors and directors' remuneration

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

The directors received no emoluments for services to the company during the year (2005 £nil)

The company had no employees during the year (2005 nil)

3 Interest receivable and similar income

	2006 £000	2005 £000
Inter-company interest receivable	155	(23)

4 Interest payable and similar charges

	2006 £000	2005 £000
On bank loans and overdrafts	-	81
Inter-company interest payable	101	15
	101	96

Notes (continued)

5 Taxation

	2006 £000	2005 £000
Corporation tax		
Current tax on income for the year	46	7

The tax charge of £46,000 (2005 £7,000) 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

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30% (2005 30%)
 The actual tax charge for the year is below the standard rate for the reasons set out in the following reconciliation

	2006 £000	2005 £000
Profit on ordinary activities before tax	52	4,823
Tax on profit on ordinary activities at standard rate	16	1,447
<i>Factors affecting charge for the year</i>		
Profits of non-qualifying assets	-	(1,477)
Expenses not deductible for tax purposes	30	37
Total actual amount of current tax	46	7

6 Debtors

	2006 £000	2005 £000
<i>Amounts due within one year</i>		
Amounts owed by group undertakings	811	2,910
Other debtors	-	2
	811	2,912
<i>Amounts due after more than one year</i>		
Amounts owed by group undertakings	2,253	-
	3,064	2,912

Notes (continued)

7 Creditors: amounts falling due within one year

	2006 £000	2005 £000
Amounts owed to group undertakings	1,713	3,110
Group relief payable	46	7
	<u>1,759</u>	<u>3,117</u>

8 Creditors: amounts falling due after more than one year

	2006 £000	2005 £000
Amounts owed to group undertakings	1,475	-
	<u>1,475</u>	<u>-</u>

9 Called up share capital

	2006 £	2005 £
Authorised		
10,000 (2005 10,000) Ordinary shares of £1 each	10,000	10,000
	<u>10,000</u>	<u>10,000</u>
Allotted, called up and fully paid		
100 (2005 100) Ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

10 Reconciliation of movement in shareholders' funds

	Share capital £000	Profit and loss account £000	2006 Total £000	2005 Total £000
At beginning of the year	-	(176)	(176)	288
Retained profit/(loss) for the year	-	6	6	(464)
	<u>-</u>	<u>6</u>	<u>6</u>	<u>(464)</u>
At end of the year	-	(170)	(170)	(176)
	<u>-</u>	<u>(170)</u>	<u>(170)</u>	<u>(176)</u>

Notes (continued)

11 Contingent liabilities

- (a) 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 £nil at 31 December 2006 (2005 £nil).

12 Ultimate parent company

The company is a subsidiary undertaking of Priory Securitisation Limited, which is incorporated in England.

The largest group in which the results of the company are consolidated is that headed by Priory Investments Holdings Limited. No other group accounts include the results of the company.