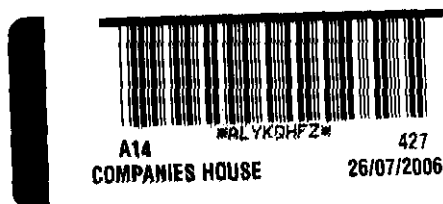


Priory Rehabilitation Services Holdings Limited

Directors' report and financial statements

Year ended 31 December 2005

Registered number 2915765



Contents

| | |
|--|---|
| Directors' report | 1 |
| Statement of directors' responsibilities | 2 |
| Profit and loss account | 3 |
| Balance sheet | 3 |
| Notes | 4 |

Directors' report

The directors present their annual report and the financial statements for the year ended 31 December 2005.

Principal activities

The company did not trade during the year.

Dividends

The directors do not recommend the payment of a dividend (2004: £nil).

Directors and directors' interests

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

Dr CB Patel
 PJ Greensmith
 Ms CA Valenti

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.

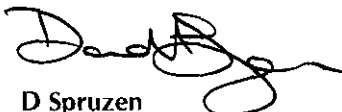
The interests of PJ Greensmith in the shares of Priory Investments Holdings Limited are set out below:

| | Interest at end of year | | | | Interest at beginning of year | | | |
|---------------|-------------------------|-------------------|------------------------------|-------------------|-------------------------------|-------------------|------------------------------|-------------------|
| | 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 | 1,500,000 | - | - | - | - |

Auditors

In accordance with section 250 of the Companies Act 1985 the company, being eligible, has resolved not to appoint an auditor.

By order of the board


 D Spruzen
 Company secretary

Priory House
 Randalls Way
 Leatherhead
 Surrey
 KT22 7TP

24 May 2006

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.

Profit and loss account

for the year ended 31 December 2005

During the financial year and the preceding financial year, the company did not trade and received no income and incurred no expenditure. Consequently, during those years the company made neither a profit nor a loss.

Balance sheet

at 31 December 2005

| | Note | 2005 £000 | 2004 £000 |
|---|------|---------------|---------------|
| Current assets | | | |
| Debtors | 2 | 16,273 | 16,273 |
| Creditors: amounts falling due within one year | 3 | (430) | (430) |
| Net assets | | <u>15,843</u> | <u>15,843</u> |
| Capital and reserves | | | |
| Called up share capital | 4 | 73 | 73 |
| Share premium | | 6,900 | 6,900 |
| Profit and loss account | | 8,870 | 8,870 |
| Equity shareholders' funds | | <u>15,843</u> | <u>15,843</u> |

The company has remained dormant throughout the year.

For the year ended 31 December 2005, the company was entitled to exemption under section 249AA(1) of the Companies Act 1985.

No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 249B(2).

The directors acknowledge their responsibilities for:

- i) ensuring that the company keeps accounting records which comply with section 221; and
- ii) preparing accounts which give a true and fair view of the state of affairs of the company as at the end of its financial year, and of its profit and loss for the financial year in accordance with section 226, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the company.

These financial statements were approved by the board of directors on 24 May 2006 and were signed on its behalf by:



PJ Greensmith
 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.

As the company is a wholly owned subsidiary of Priory Investments Holdings Limited, 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.

2 Debtors

| | 2005 £000 | 2004 £000 |
|------------------------------------|--------------|--------------|
| Amounts owed by group undertakings | 16,273 | 16,273 |

3 Creditors: amounts falling due within one year

| | 2005 £000 | 2004 £000 |
|------------------------------------|--------------|--------------|
| Amounts owed to group undertakings | 430 | 430 |

Notes (continued)

4 Called up share capital

| | 2005 £ | 2004 £ |
|--|---------------|---------------|
| Authorised | | |
| 6,700,000 (2004: 6,700,000) cumulative redeemable preference shares of 10 pence each | 670,000 | 670,000 |
| 435,000 (2004: 435,000) "A" Ordinary shares of 1pence each | 4,350 | 4,350 |
| 30,000 (2004: 30,000) "B" Ordinary shares of 1 pence each | 300 | 300 |
| 10,000,000 (2004: 10,000,000) Ordinary shares of 1 pence each | 68,500 | 68,500 |
| | <hr/> 743,150 | <hr/> 743,150 |
| Allotted, called up and fully paid | | |
| Nil (2004: nil) cumulative redeemable preference shares of 10 pence each | - | - |
| Nil (2004:nil) "A" Ordinary shares of 1pence each | - | - |
| Nil (2004: nil) "B" Ordinary shares of 1 pence each | - | - |
| 7,310,000 (2004:7,310,000) Ordinary shares of 1 pence each | 73,100 | 73,100 |
| | <hr/> 73,100 | <hr/> 73,100 |

5 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.