

Priory Rehabilitation Services Holdings Limited

Directors' report and financial statements

Year ended 31 December 2006

Registered number 2915765

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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 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)
Ms CA Valenti	
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 Prory Investments Holdings Limited (the ultimate parent company) are disclosed in the financial statements of that company

The interests of PJ Greensmith, Ms CA Valenti and D Spruzen in the shares of Prory 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
Ms C A Valenti *	-	25,000	25,000	150,000	-	-	-	-
D Spruzen **	-	100,000	100,000	53,153	-	100,000	100,000	53,153

* shares held indirectly

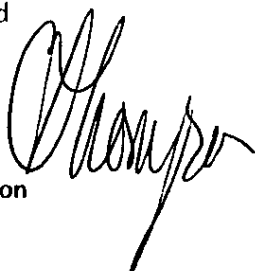
** B Ordinary shares and Non Voting B Ordinary shares held indirectly

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

Professor C Thompson
 Director



Prory House
 Randalls Way
 Leatherhead
 Surrey
 KT22 7TP

15 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.

Profit and loss account
for the year ended 31 December 2006

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 2006

	Note	2006 £000	2005 £000
Current assets			
Debtors	2	16,273	16,273
Creditors amounts falling due within one year	3	(430)	(430)
Net assets		15,843	15,843
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		15,843	15,843

The company has remained dormant throughout the year.

For the year ended 31 December 2006, 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 15 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 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

	2006 £000	2005 £000
Amounts owed by group undertakings	16,273	16,273

3 Creditors: amounts falling due within one year

	2006 £000	2005 £000
Amounts owed to group undertakings	430	430

Notes (continued)

4 Called up share capital

	2006 £	2005 £
Authorised		
6,700,000 (2005 6,700,000) cumulative redeemable preference shares of 10 pence each	670,000	670,000
435,000 (2005 435,000) "A" Ordinary shares of 1 pence each	4,350	4,350
30,000 (2005 30,000) "B" Ordinary shares of 1 pence each	300	300
10,000,000 (2005 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 (2005 nil) cumulative redeemable preference shares of 10 pence each	-	-
Nil (2005 nil) "A" Ordinary shares of 1 pence each	-	-
Nil (2005 nil) "B" Ordinary shares of 1 pence each	-	-
7,310,000 (2005 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.