

Priory Specialist Health Division Limited

Directors' report and financial statements

Year ended 31 December 2008

Registered number 3893502

TUESDAY



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Directors' report

The directors present their report and the financial statements for the year ended 31 December 2008.

Principal activities

The company did not trade during the year.

Dividends

Dividends of £nil were paid during the year (2007: £3,718,000).

Directors

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

Professor C Thompson

S Bradshaw

S Mukerji

(resigned 7 July 2008)

J Lock

(appointed 15 September 2008)

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

Auditors

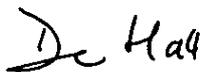
In accordance with Section 386 of the Companies Act 1985 (as amended), the Company has elected to dispense with the obligation to appoint auditors annually. Accordingly, PricewaterhouseCoopers LLP will continue in office as auditors.

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.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the board



D Hall
Company Secretary

Priory House
Randalls Way
Leatherhead
Surrey
KT22 7TP

28 May 2009

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board



David Hall
Company Secretary

28 May 2009

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 2008 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 2008 and of its result 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
Manchester

28 May 2009

Profit and loss account
for the year ended 31 December 2008

	Note	2008 £000	2007 £000
Operating result		-	-
Provision against carrying value of investments		-	(48,400)
		<hr/>	<hr/>
Loss on ordinary activities before interest and tax	2	-	(48,400)
Income from shares in group undertakings		-	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	6	-	(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 2008

	<i>Note</i>	2008 £	2007 £
Current assets			
Debtors	4	1	1
		<hr/>	<hr/>
Net assets		1	1
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	5	1	1
		<hr/>	<hr/>
Total shareholders' funds	6	1	1
		<hr/>	<hr/>

The financial statements on pages 4 to 8 were approved by the board of directors on 28 May 2009 and were signed on its behalf by:



J Lock
Director

Notes to 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.

Under Financial Reporting Standard 1 'Cash flow statements' (revised 1996) 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 publicly available 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 'Related party disclosures' and has therefore not disclosed transactions or balances with entities which form part of the group.

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 (2007: nil).

Notes to the financial statements (continued)

3 Tax on profit on ordinary activities

	2008 £000	2007 £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 28.5% (2007: 30%). The actual tax charge for the year is the same as (2007: lower than) the standard rate for the reasons set out in the following reconciliation:

	2008 £000	2007 £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 Debtors

	2008 £	2007 £
Amounts owed from group undertakings	1	1

5 Called up share capital

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

Notes to the financial statements *(continued)*

6 Reconciliation of movements in shareholders' funds

	2008	2007
	£000	£000
Profit for the financial year	-	337
Dividends	-	(3,718)
	<hr/>	<hr/>
Net reduction in shareholders' funds	-	(3,381)
Opening shareholders' funds	-	3,381
	<hr/>	<hr/>
Closing shareholders' funds	-	-
	<hr/> <hr/>	<hr/> <hr/>

7 Ultimate parent company

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

The ultimate parent company is Priory Investments Holdings Limited (incorporated in the Cayman Islands), which is the parent undertaking of the smallest and largest group to consolidate these financial statements. A copy of the consolidated financial statements can be obtained from the Company Secretary at Priory House, Randalls Way, Leatherhead, Surrey KT22 7TP.

The directors consider that there is no ultimate controlling party of the company.