

# **Priory Specialist Health Division Limited**

Directors' report and financial statements

Year ended 31 December 2003

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 2003.

### Principal activities and business review

The company is a holding company.

The company did not trade during the year.

### Proposed dividend

The directors do not recommend the payment of a dividend (2002: *£nil*).

### Directors and directors' interests

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

Dr CB Patel  
PJ Greensmith

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 and PJ Greensmith in the shares of Priory Healthcare Investments Limited (the ultimate parent company) are disclosed in the financial statements of that company.

### Auditors

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

By order of the board



**PJ Greensmith**  
Company secretary

Priory House  
Randalls Way  
Leatherhead  
Surrey  
KT22 7TP

20 May 2004

## 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.

## **Independent auditors' report to the members of Priory Specialist Health Division Limited**

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

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

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

### **Basis of audit 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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers LLP**  
*Chartered Accountants and Registered Auditors*  
London

20 May 2004

**Profit and loss account**  
*for the year ended 31 December 2003*

	Note	2003 £000	2002 £000
Income from shares in group undertakings		-	4,952
Amounts written off investments		3,534	(7,634)
Net interest receivable	4	-	1,025
<b>Profit/(loss) on ordinary activities before taxation</b>	2	<b>3,534</b>	<b>(1,657)</b>
Tax on profit/(loss) on ordinary activities	5	-	(308)
<b>Retained profit/(loss) for the financial year</b>		<b>3,534</b>	<b>(1,965)</b>

The results for the prior year derive from discontinued activities.

**Balance sheet**  
**at 31 December 2003**

	Note	£000	2003 £000	£000	2002 £000
<b>Fixed assets</b>					
Investments	6		48,400		44,866
<b>Creditors: amounts falling due within one year</b>	7	(45,019)		(45,019)	
<b>Net current assets/(liabilities)</b>			(45,019)		(45,019)
<b>Net assets/(liabilities)</b>			3,381		(153)
<b>Capital and reserves</b>					
Called up share capital	8		-		-
Profit and loss account	9		3,381		(153)
<b>Shareholders' funds – equity</b>	9		3,381		(153)

These financial statements were approved by the board of directors on 20 May 2004 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.

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 Investments 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. Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### **Group relief**

Payment is generally made for group relief at a rate of 30% at the time of first estimating the tax provision. To the extent that amendments are subsequently made to the group relief plan, there is generally no payment or receipt in respect of change.

### 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 (2002: £nil).



## Notes (continued)

### 4 Net interest receivable

	2003 £000	2002 £000
Inter-company interest receivable	-	1,025

### 5 Taxation

	2003 £'000	2002 £000
Corporation tax charge on income for the year at 30%	-	308

In the prior year, the UK corporation tax on profit on ordinary activities of £308,000 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%. The actual tax charge for the year is above the standard rate for the reasons set out in the following reconciliation:

	2003 £000	2002 £000
(Loss)/profit on ordinary activities before tax	-	(1,657)
Tax on (loss)/profit on ordinary activities at standard rate	-	(497)
<i>Factors affecting charge for the year</i>		
Income from shares in group undertakings	-	(1,485)
Profit/loss on non-qualifying assets	-	2,290
Total actual amount of current tax	-	308

## Notes (continued)

### 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 of the year	7,634
Release in year	(3,534)
At end of the year	4,100
<i>Net book value</i>	
At 31 December 2003	<b>48,400</b>
At 31 December 2002	44,866

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	Procurement company	100% ordinary

### 7 Creditors: amounts falling due within one year

	<b>2003 £000</b>	<b>2002 £000</b>
Amounts owed to group undertakings	45,019	44,711
Group relief payable	-	308
	<b>45,019</b>	<b>45,019</b>

### 8 Called up share capital

	<b>2003 £</b>	<b>2002 £</b>
<i>Authorised</i>		
750,000 (2002: 750,000) ordinary shares of £1 each	<b>750,000</b>	<b>750,000</b>
<i>Allotted, called up and fully paid</i>		
1 (2002: 1) ordinary shares of £1 each	<b>1</b>	<b>1</b>

## Notes (continued)

### 9 Reconciliation of movement in shareholders' funds

	Share capital	Profit and loss account £000	2003 Total £000	2002 Total £000
At beginning of the year	-	(153)	(153)	1,812
Retained profit/(loss) for the year	-	3,534	3,534	(1,965)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of the year	-	3,381	3,381	(153)
	<hr/>	<hr/>	<hr/>	<hr/>

### 10 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 2003 (2002: £nil).
- (b) A fellow subsidiary undertaking has issued secured fixed and floating rate notes amounting to £206.2 million as at 31 December 2003. These notes are secured on the freehold and leasehold properties of certain of its fellow subsidiaries. In addition, the company's share capital has been pledged as security for this loan.

### 11 Ultimate parent company

The company is a subsidiary undertaking of Priory Healthcare 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 Investments Limited. No other group accounts include the results of the company.