

# **Priory Securitisation Limited**

Directors' report and financial statements

Year ended 31 December 2008

Registered number 3982134



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## Directors' report

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

### Principal activity

The principal activity of the company is to act as a holding company. All of the company's subsidiary undertakings are non-trading.

The results for the year are set out in the Profit and loss account on page 5 and the position of the company as at the year end is set out in the Balance sheet on page 6.

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using Key Performance Indicators is not necessary for an understanding of the development, performance or position of the business. The development, performance and position of Priory Investment Holdings Limited, which includes the company, is discussed in the group's annual report which does not form part of this report.

The company's operations mean that it is exposed to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and interest rate risk. The directors monitor the risks in order to limit the adverse effects on the financial performance by reviewing levels of debt finance and the related finance costs, however these are integrated with the risks of group and not managed separately. Accordingly, the financial risk management policies of Priory Investment Holdings Limited, which include those of the company, are discussed in the group's annual report which does not form part of this report.

### Principal risks and uncertainties

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of Priory Investments Holdings Limited, which include those of the company, are discussed in the Group's annual report which does not form part of this report.

### Dividends

The directors do not recommend the payment of a dividend (2006: £nil).

### Directors

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

S Bradshaw	(resigned 24 November 2008)
Professor C Thompson	(resigned 24 November 2008)
S Mukerji	(resigned 7 July 2008)
J Lock	(appointed 15 September 2008)
D Hall	(appointed 24 November 2008)

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

### Auditors

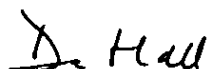
In accordance with Section 386 of the Companies Act 1985 (as amended), the Company has elected to dispense with the obligation to appoint auditors annually. Accordingly, PricewaterhouseCoopers LLP will continue in office as auditors.

## 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



**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 Securitisation Limited

We have audited the financial statements of Priory Securitisation 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 loss 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 to 31 December 2008*

	Note	2008 £000	2007 £000
<b>Operating result</b>		-	-
Loss on disposal of investments	6	-	(50,263)
		<hr/>	<hr/>
<b>Loss on ordinary activities before interest and tax</b>		-	(50,263)
Income from shares in group undertakings	6	-	57,259
Interest receivable and similar income	3	-	72
Interest payable and similar charges	4	(10)	(26)
		<hr/>	<hr/>
<b>(Loss)/profit on ordinary activities before taxation</b>	2	(10)	7,042
Tax on (loss)/profit on ordinary activities	5	3	(14)
		<hr/>	<hr/>
<b>(Loss)/profit for the financial year</b>	10	(7)	7,028
		<hr/>	<hr/>

The company had no other recognised gains and losses for the year other than the loss above therefore no statement of total recognised gains and losses is presented.

There is no difference between the loss before taxation and the loss 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**

	Note	2008 £000	2007 £000
<b>Fixed assets</b>			
Investments	6	168,116	168,116
<b>Current assets</b>			
Debtors	7	36,103	36,119
Cash at bank and in hand		-	4
		<u>36,103</u>	<u>36,123</u>
<b>Creditors: amounts falling due within one year</b>	8	<u>(100,719)</u>	<u>(100,732)</u>
<b>Net current liabilities</b>		<u>(64,616)</u>	<u>(64,609)</u>
<b>Total assets less current liabilities</b>		<u>103,500</u>	<u>103,507</u>
<b>Net assets</b>		<u>103,500</u>	<u>103,507</u>
<b>Capital and reserves</b>			
Called up share capital	9	7,688	7,688
Share premium	10	49,954	49,954
Profit and loss account	10	45,858	45,865
		<u>103,500</u>	<u>103,507</u>
<b>Total shareholders' funds</b>	11	<u>103,500</u>	<u>103,507</u>

The financial statements on pages 5 to 11 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.

The company is exempt by virtue of section 228A 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 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 and has therefore not disclosed transactions or balances with entities which form part of the group.

#### ***Fixed asset investments***

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 FRS19.

#### ***Group relief***

Payment is generally made for group relief at the current tax rate 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 the change.

### 2 Profit on ordinary activities before taxation

The remuneration of the auditors in the current and prior 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 Interest receivable and similar income

	2008 £000	2007 £000
On bank deposits	-	72

### 4 Net interest payable and similar charges

	2008 £000	2007 £000
On bank loans and overdrafts	10	26

### 5 Tax on (loss)/profit on ordinary activities

	2008 £000	2007 £000
Corporation tax (credit)/charge on profit for the year	(3)	14

The tax credit of £3,000 in the year is to be surrendered to other group companies in exchange for payment of the same amount.

The tax charge of £14,000 in the prior 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 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
(Loss)/profit on ordinary activities before tax	(10)	7,042
Tax on (loss)/profit on ordinary activities at standard rate	(3)	2,113
<i>Factors affecting charge for the year</i>		
Income from shares in group undertakings	-	(17,178)
Loss on non-qualifying assets	-	15,079
Total actual amount of current tax	(3)	14

## Notes to the financial statements (continued)

### 6 Investments

	Total £000
<b>Shares in group undertakings</b>	
<b>Cost</b>	
At beginning and end of the year	168,116
<b>Provisions</b>	
At beginning and end of the year	-
<b>Net book value</b>	
At 31 December 2008	168,116
At 31 December 2007	168,116

On 10 May 2007, the company acquired the entire issued share capital of Priory Specialist Health Limited from Priory Specialist Health Division Limited (a fellow subsidiary undertaking) for a consideration of £2.

On 6 June 2007, the company sold its investment in Priory Central Services Limited to Priory Holdings Company No. 3 Limited (a fellow subsidiary undertaking) for a consideration of £254,000 which gave rise to a loss on disposal of £310,000.

On 11 June 2007, the company received a dividend of £57,259,000 from Priory Healthcare Holdings Limited (a subsidiary undertaking). After receipt of the dividend, the company sold its investment in Priory Healthcare Holdings Limited to Priory Investments Holdings Limited (a parent undertaking) for a consideration of £1 which gave rise to a loss on disposal of £49,953,000.

The principal undertakings in which the company's interest at the year end is more than 20% are as follows:

<b>Subsidiary undertakings</b>	<b>Principal activities</b>	<b>Class and percentage of shares held</b>
Priory Old Acute Services Limited *	Non-trading	100% ordinary
Priory Old Schools Services Limited *	Non-trading	100% ordinary
Farleigh Schools Limited	Non-trading	100% ordinary
North Hill House Limited	Non-trading	100% ordinary
Eastwood Grange Limited	Non-trading	100% ordinary
Chelfham Senior School Limited	Non-trading	100% ordinary
Rosendale School Limited	Non-trading	100% ordinary
Autism (GB) Limited	Non-trading	100% ordinary
Solutions (Ross) Limited	Non-trading	100% ordinary
Mark College Limited	Non-trading	100% ordinary
Coxlease School Limited	Non-trading	100% ordinary
Priory Old Grange Services Limited *	Non-trading	100% ordinary
Priory Old Forensic Services Limited *	Non-trading	100% ordinary
The Nottingham Clinic Limited *	Non-trading	100% ordinary
Highbank Private Hospital Limited *	Non-trading	100% ordinary

\* interests held directly by the company.

A full list of subsidiaries can be obtained by writing to the Company Secretary at Priory House, Randalls Way, Leatherhead, Surrey KT22 7TP.

All subsidiary and associated undertakings are registered in England and Wales.

## Notes to the financial statements (continued)

### 7 Debtors

	2008 £000	2007 £000
Amounts owed from group undertakings	36,100	36,119
Group relief recoverable	3	-
	<u>36,103</u>	<u>36,119</u>

Amounts due from group undertakings are non-interest bearing and repayable on demand.

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

	2008 £000	2007 £000
Amounts owed to group undertakings	100,719	100,718
Group relief payable	-	14
	<u>100,719</u>	<u>100,732</u>

Amounts due to group undertakings are unsecured, non-interest bearing and repayable on demand.

### 9 Called up share capital

	2008 £000	2007 £000
<b>Authorised</b>		
200,000,000 (2007: 200,000,000) ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>
<b>Allotted, called up and fully paid</b>		
7,688,090 (2007: 7,688,090) ordinary shares of £1 each	<u>7,688</u>	<u>7,688</u>

### 10 Reserves

	Share premium £000	Profit and loss account £000
At beginning of the year	49,954	45,865
Profit for the financial year	-	(7)
	<u>49,954</u>	<u>45,858</u>
At end of the year		

## Notes to the financial statements *(continued)*

### 11 Reconciliation of movements in shareholders' funds

	2008 £000	2007 £000
(Loss)/profit for the financial year	(7)	7,028
<b>Net (reduction in)/addition to shareholders' funds</b>	<b>(7)</b>	<b>7,028</b>
Opening shareholders' funds	103,507	96,479
<b>Closing shareholders' funds</b>	<b>103,500</b>	<b>103,507</b>

### 12 Contingent liabilities

Bank loans of a fellow group undertaking are secured by fixed and floating charges over all the assets of the company.

### 13 Ultimate parent company

The company's immediate parent company, which is incorporated in England, is Priory Securitisation 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.