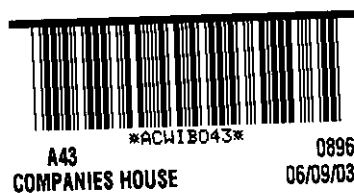


# **Priory Securitisation Limited**

Directors' report and financial statements

Year ended 31 December 2002

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 2002.

### Principal activity

The principal activity of the company is to act as a holding company.

### Business review

On 23 December 2002, as part of a general re-organisation of the Group's structure, the company:

- acquired the entire issued share capital of Priory Healthcare Central Services Limited from Priory Healthcare Holdings Limited (a fellow subsidiary undertaking) for a consideration of £64,000 to be left outstanding as a debt repayable on demand;
- acquired the entire issued share capital of Priory Childcare Services Limited from Priory Hospitals Limited (a fellow subsidiary undertaking) for a consideration of £1 to be left outstanding as a debt repayable on demand;
- acquired the entire issued share capital of Libra Health Group Limited from Priory Specialist Health Limited (a fellow subsidiary undertaking) for a consideration of £24 million to be left outstanding as a debt repayable on demand;
- acquired the entire issued share capital of Blenheim House Limited from Priory Specialist Health Limited (a fellow subsidiary undertaking) for a consideration of £25 million to be left outstanding as a debt repayable on demand;
- acquired the entire issued share capital of Priory Hospitals Limited from Priory Healthcare Services Limited (a fellow subsidiary undertaking) for a consideration of £109.5 million to be left outstanding as a debt repayable on demand;
- acquired the entire issued share capital of Priory Healthcare Holdings Limited from Priory Healthcare Acquisition Co Limited (immediate parent undertaking). The consideration was satisfied by the issue of shares in the company.

### Proposed dividend

The directors do not recommend the payment of a dividend (2001: *£nil*).

### Directors and directors' interests

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

AG Heywood (resigned 30 April 2002)  
Dr CB Patel  
JD Weight (resigned 10 June 2002)  
Ms S J Stewart (appointed 10 June 2002, resigned 5 December 2002)  
PJ Greensmith (appointed 13 September 2002)

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.

## **Directors' report** *(continued)*

### **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

8 May 2003

## 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 Securitisation 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 2002 and of its result 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

8 May 2003

## Profit and loss account

for the year to 31 December 2002

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 2002

	Note	2002 £000	2001 £000
<b>Fixed assets</b>			
Investments	2	208,519	1
<b>Current assets</b>			
Debtors	3	1	1
<b>Creditors: amounts falling due within one year</b>	4	(158,565)	(1)
<b>Net current assets</b>		(158,564)	-
<b>Net assets</b>		49,955	1
<b>Capital and reserves</b>			
Called up share capital	5	1	1
Share premium	6	49,954	-
Profit and loss account	6	-	-
<b>Shareholders' funds – equity</b>	6	49,955	1

These financial statements were approved by the board of directors on 8 May 2003 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 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.

### 2 Fixed asset investments

	Total £000
<b><i>Shares in group undertakings</i></b>	
<b><i>Cost</i></b>	
At the beginning of the year	1
Additions	208,518
	<hr/>
At the end of the year	208,519
	<hr/>
<b><i>Provisions</i></b>	
At beginning and end of the year	-
	<hr/>
<b><i>Net book value</i></b>	
At 31 December 2002	208,519
	<hr/>
At 31 December 2001	1
	<hr/>



## Notes (continued)

### 2 Fixed asset investments (continued)

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

Priory Healthcare Finance Limited *	Financing company	100% ordinary
Priory Hospitals Limited *	Psychiatric and other specialist healthcare Services	100% ordinary
Priory Childcare Services Limited *	Specialist schools for children with behavioural difficulties	100% ordinary
Priory Services for Young People (IOM) Limited	Specialist schools for children with behavioural difficulties	100% ordinary
Highbank Healthcare Limited	Brain injury rehabilitation services	100% ordinary
Blenheim House Limited *	Forensic psychiatric services	100% ordinary
Priory Healthcare Central Services Limited *		
Priory Healthcare Holdings Limited *	Non-trading	100% ordinary
Libra Health Group Limited *	Intermediate holding company	100% ordinary

\* interests held directly by the company.

All subsidiary undertakings are registered in England and Wales with the following exceptions:

Priory Healthcare Finance Limited	registered in Cayman Islands
Priory Services for Young People (IOM) Limited	registered in the Isle of Man

### 3 Debtors

	2002 £000	2001 £000
Amounts owed by group undertakings	-	1
Other debtors	1	-
	<hr/>	<hr/>
Amounts owed by group undertakings	1	1
	<hr/>	<hr/>

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

	2002 £000	2001 £000
Amounts owed to group undertakings	158,565	1
	<hr/>	<hr/>

## Notes (continued)

### 5 Called up share capital

	2002 £	2001 £
<b>Authorised</b>		
200,000,000 (2001: 200,000,000) ordinary shares of £1 each	200,000,000	200,000,000
<b>Allotted, called up and fully paid</b>		
1,002 (2001: 1,000) ordinary shares of £1 each	1,002	1,000
<i>Movement in Ordinary shares during the year</i>		
At beginning of the year		1,000
Share issued for purchase of shares in Priory Healthcare Holdings Limited		2
At end of the year		1,002

### 6 Reconciliation of movement in shareholders' funds

	Share Capital £000	Share Premium £000	Profit and loss account £000	Total 2002 £000	Total 2001 £000
At beginning of the year	1	-	-	1	1
Shares issued	-	49,954	-	49,954	-
Profit for the financial year	-	-	-	-	-
At end of the year	1	49,954	-	49,955	1

### 7 Ultimate parent company

The company is a subsidiary undertaking of Priory Healthcare Acquisition Co 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.