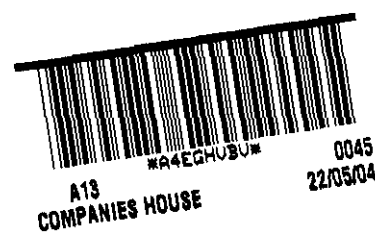


**Priory Rehabilitation Services Holdings
Limited (formerly Libra Health Group
Limited)**

Directors' report and financial statements

Year ended 31 December 2003

Registered number 2915765



Contents

Directors' report	1
Statement of directors' responsibilities	3
Independent auditors' report to the members of Priory Rehabilitation Services Holdings Limited (formerly Libra Health Group Limited)	4
Profit and loss account	5
Balance sheet	6
Notes	7

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

The company changed its names from Libra Health Group Limited to Priory Rehabilitation Services Holdings Limited on 20 May 2003.

Principal activities

The company was a holding company during the year. At the end of the year, the company had no interest in subsidiary companies.

On 28 July 2003, the company sold its investment in Priory Rehabilitation Services Limited (formerly Highbank Health Care Limited) for a consideration of £8,828,000 to Priory Securitisation Limited (its immediate parent undertaking) to be left outstanding as a debt payable on demand. The profit on sale was £8,827,900.

Dividends

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
 Ms CA Valenti

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.

The interests of the other director in the share capital of Priory Healthcare Investments Limited were as follows:

	Interest at end of the year		Interest at start of the year or date of appointment if later	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Ms CA Valenti	10,000	-	10,000	-

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

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 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.

Independent auditors' report to the members of Priory Rehabilitation Services Holdings Limited (formerly Libra Health Group 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
Profit on disposal of fixed assets		8,828	-
Profit on ordinary activities before taxation	2	8,828	-
Tax on profit on ordinary activities	4	-	-
Retained profit for the financial year		8,828	-

The results for the year derive from discontinued activities.

Balance sheet
at 31 December 2003

	Note	2003 £000	2002 £000
Fixed assets			
Investments	5	-	-
Current assets			
Debtors	6	16,273	7,445
Creditors: amounts falling due within one year	7	(430)	(430)
Net current assets		15,843	7,015
Net assets		15,843	7,015
Capital and reserves			
Called up share capital	8	73	73
Share premium	9	6,900	6,900
Profit and loss account	9	8,870	42
Equity shareholders' funds		15,843	7,015

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 FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group.

Fixed assets investments

Fixed asset investments are stated at cost less provision for any impairment in value.

2 Profit on ordinary activities before taxation

	2003 £000	2002 £000
<i>Profit on ordinary activities before taxation is stated after crediting:</i>		
Profit on disposal of fixed assets		
Profit on sale of investment in Priory Rehabilitation Services Limited	8,828	-
	<hr/>	<hr/>

The cost of auditing the company is borne by a fellow group company.

3 Remuneration of directors

The directors received no emoluments for services to the company during the year (2002: £nil).

Notes (continued)

4 Taxation

	2003 £000	2002 £000
<i>UK corporation tax</i>		
Current tax charge on income for the year at 30%	-	-

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 below the standard rate for the reasons set out in the following reconciliation:

	2003 £000	2002 £000
Profit on ordinary activities before tax	8,828	-
Tax on profit on ordinary activities at standard rate	2,648	-
<i>Factors affecting charge for the year</i>		
Profit on non-qualifying assets	(2,648)	-
Total actual amount of current tax	-	-

5 Fixed asset investments

	Total £
<i>Shares in group undertakings</i>	
<i>Cost</i>	
At beginning of the year	100
Disposals	(100)
At end of the year	-

On 28 July 2003, the company sold the entire issued share capital of Priory Rehabilitation Services Limited (formerly Highbank Health Care Limited) for a consideration of £8,828,000.

The company had no interests in group undertakings at 31 December 2003.

6 Debtors

	2003 £000	2002 £000
Amounts owed by group undertakings	16,273	7,445

Notes (continued)

7 Creditors: amounts falling due within one year

	2003 £000	2002 £000
Amounts owed to group undertakings	430	430

8 Called up share capital

	2003 £	2002 £
Authorised		
6,700,000 (2002: 6,700,000) cumulative redeemable preference shares of 10 pence each	670,000	670,000
435,000 (2002: 435,000) "A" Ordinary shares of 1pence each	4,350	4,350
30,000 (2002: 30,000) "B" Ordinary shares of 1 pence each	300	300
10,000,000 (2002: 10,000,000) Ordinary shares of 1 pence each	68,500	68,500
	743,150	743,150
Allotted, called up and fully paid		
Nil (2002: nil) cumulative redeemable preference shares of 10 pence each	-	-
Nil (2002: nil) "A" Ordinary shares of 1pence each	-	-
Nil (2002: nil) "B" Ordinary shares of 1 pence each	-	-
7,310,000 (2002: 7,310,000) Ordinary shares of 1 pence each	73,100	73,100
	73,100	73,100

9 Reconciliation of movement in shareholders' funds

	Share Capital	Share Premium	Profit and loss account £000	2003 Total £000	2002 Total £000
At beginning of the year	73	6,900	42	7,015	7,015
Profit for the financial year	-	-	8,828	8,828	-
At end of the year	73	6,900	8,870	15,843	7,015

Notes (continued)

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 Securitisation 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.