Priory Old Grange Services Limited

Directors' report and financial statements

Year ended 31 December 2008

Registered number 3074698

Contents

Directors' report

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

Principal activities

The company ceased to trade with effect from 4 June 2007. The principal activities of the company were the provision of assessment services and acute, post-acute and continuing care services for children and adults with an acquired brain injury, stroke or other form of neurological disorder. On 4 June 2007, the company sold:

- the trade and assets of certain businesses to Priory Rehabilitation Services Limited (a fellow subsidiary undertaking) for a consideration of £2 million; and
- sold the trade and assets of certain businesses to Priory Education Services Limited (a fellow subsidiary undertaking) for a consideration of £1.

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.

As the company is no longer trading:

- the directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance and position of the business; and
- it is not exposed to any risks beyond those exposed to the Group as a whole and are not management separately. Accordingly, the financial risk management policies 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.

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

Dividends of £nil were paid during the year *(2007: £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

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

D Hall

David Hall
Company Secretary

28 May 2009

Independent auditors' report to the members of Priory Old Grange Services Limited

We have audited the financial statements of Priory Old Grange Services 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 ended 31 December 2008

	Note	**2008** **£000**	2007 £000
Turnover	2	-	8,268
Cost of sales		-	(7,456)
Gross profit		-	812
Administrative expenses *(including operating exceptional costs of £nil; 2007: £9,000)*	3	-	(634)
Operating profit		-	178
Loss on disposal of discontinued operations		-	(2,364)
Profit on disposal of fixed assets		-	4
Loss on ordinary activities before interest and tax		-	(2,182)
Interest receivable and similar income	6	**962**	730
Interest payable and similar charges	7	**(1,855)**	(1,657)
Loss on ordinary activities before taxation	3	**(893)**	(3,109)
Tax credit on loss on ordinary activities	8	**268**	375
Loss for the financial year	14	**(625)**	(2,734)

The results for the current and prior year derive from discontinued activities.

The company had no other recognised gains or 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.

Balance sheet
at 31 December 2008

	Note	£000	2008 £000	£000	2007 £000
Fixed assets					
Investments	9		-		-
			-		-
Current assets					
Debtors due within one year	10	**25,091**		24,342	
Debtors due after more than one year	10	**12,084**		12,084	
		37,175		36,426	
Creditors: amounts falling due within one year	11	**(21,883)**		(22,263)	
Net current assets			**15,292**		14,163
Total assets less current liabilities			**15,292**		14,163
Creditors: amounts falling due after more than one year	12		**(16,851)**		(15,097)
Net liabilities			**(1,559)**		(934)
Capital and reserves					
Called up share capital	13		-		-
Profit and loss account	14		(1,559)		(934)
Total shareholders' deficit	15		(1,559)		(934)

The financial statements on pages 5 to 13 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 FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group.

Leases

Assets acquired under finance leases are capitalised at cost and depreciated over the shorter of the term of the lease and the useful lives for tangible assets set out above. The capital element of future rentals is included under creditors. Interest is charged to the profit and loss account over the period of the lease in proportion to the balance of the capital payments outstanding. Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

Fixed asset investments

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

Stocks

Stocks are stated at the lower of cost and net realisable value.

Post-retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

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 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 change.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Turnover and revenue recognition

Turnover represents the amounts (excluding value added tax) derived from the provision of services. Revenue is recognised as the services are provided.

2 Analysis of turnover and loss on ordinary activities before taxation

In the prior year, the company's turnover, loss before taxation and net assets arise primarily from its principal activity of the provision of rehabilitation and ongoing care facilities for people with head injuries in the United Kingdom.

3 Loss on ordinary activities before taxation

	2008	2007
	£000	£000
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Auditors' remuneration (inclusive of VAT):		
Audit	-	10
Depreciation and other amounts written off tangible fixed assets:		
Owned	-	150
Leased	-	32
Rentals under operating leases:		
Hire of plant and machinery	-	15
Other operating leases	-	1,332
Operating exceptional items:		
Re-organisation and rationalisation	-	9
Loss on disposal of discontinued operations	-	2,364
Profit on disposal of fixed assets	-	(4)

The remuneration of the auditors in the current year was borne by another group undertaking.

4 Remuneration of directors

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.

Notes to the financial statements *(continued)*

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2008	2007
By activity		
Nursing and other clinical staff	-	166
Administrative staff	-	45
	-	211

The aggregate payroll costs of these persons were as follows:

	2008	2007
	£000	£000
Wages and salaries	-	3,564
Social security costs	-	313
Other pension costs (note 17)	-	39
	-	3,916

6 Interest receivable and similar income

	2008	2007
	£000	£000
Interest receivable from group undertakings	**962**	730

7 Interest payable and similar charges

	2008	2007
	£000	£000
Interest payable to group undertakings	**1,855**	1,653
Finance charges payable in respect of finance leases	-	4
	1,855	1,657

Notes to the financial statements *(continued)*

8 Tax on loss on ordinary activities

	2008 £000	2007 £000
UK corporation tax credit on loss	**(255)**	(375)
Adjustment in respect of prior years	**(13)**	-
	(268)	(375)

The tax credit of £255,000 *(2007: £375,000)* is to be surrendered to 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 credit for the year is higher than *(2007: lower than)* the standard rate for the reasons set out in the following reconciliation:

	2008 £000	2007 £000
Loss on ordinary activities before tax	**(893)**	(3,109)
Tax on loss on ordinary activities at standard rate	**(255)**	(933)
Factors affecting charge for the year		
Capital allowances for year in excess of depreciation	-	(52)
Other timing differences	-	(109)
Depreciation of non-qualifying assets	-	7
Loss on non-qualifying assets	-	709
Expenses not deductible for tax purposes	-	3
Adjustment to tax charge in respect of prior years	**(13)**	-
Total actual amount of current tax	**(268)**	(375)

Notes to the financial statements *(continued)*

9 Investments

	Total £000
Shares in group undertakings	
Cost	
At beginning and end of the year	1,229
Provision	
At beginning and end of the year	1,229
Net book value	
At 31 December 2008	**-**
At 31 December 2007	-

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

	Country of incorporation	Principal Activity	Class and Percentage of shares Held
Subsidiary undertaking			
Robinson Kay House (Bury) Limited	England	Dormant	100% ordinary

10 Debtors

	2008 £000	2007 £000
Amounts falling due within one year		
Amounts owed from group undertakings	**24,823**	23,967
Group relief recoverable	**268**	375
	25,091	24,342
Amounts falling due after more than one year		
Amounts owed from group undertakings	**12,084**	12,084
	37,175	36,426

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

Amounts due from group undertakings due after more than one year bear interest at LIBOR plus 2.25% per annum and are repayable on demand. It is not expected that the demand would be made or that these amounts will be received within the current year and accordingly these amounts have been shown as amounts due after more than one year.

Notes to the financial statements *(continued)*

11 Creditors: amounts falling due within one year

	2008	2007
	£000	£000
Amounts owed to group undertakings	**21,883**	22,263

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

12 Creditors: amounts falling due after more than one year

	2008	2007
	£000	£000
Amounts due to group undertakings	**16,851**	15,097

Amounts due to group undertakings are unsecured, bear interest at LIBOR plus 2.25% per annum and are repayable on demand. It is not expected that the demand would be made or that these amounts will be paid within one year and accordingly these amounts have been shown as amounts falling due after more than one year.

13 Called up share capital

	2008	2007
	£	£
Authorised		
100 *(2007: 100)* Ordinary shares of £1 each	**100**	100
Allotted, called up and fully paid		
100 *(2007: 100)* Ordinary shares of £1 each	**100**	100

14 Profit and loss account

	£000
At beginning of the year	(934)
Loss for the financial year	(625)
At end of the year	**(1,559)**

Notes to the financial statements *(continued)*

15 Reconciliation of movement in shareholders' deficit

	2008 £000	2007 £000
Loss for the financial year	(625)	(2,734)
Opening shareholders' (deficit)/funds	(934)	1,800
Closing shareholders' deficit	**(1,559)**	(934)

16 Contingent liabilities

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

17 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the fund and amounted to £nil *(2007: £39,000)*.

18 Ultimate parent company

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