

## **Priory Secure Services Limited**

Directors' report and financial statements

Period from 11 May 2007 (date of  
incorporation) to 31 December 2007

Registered number 6244878

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## Directors' report

The directors present their report and the audited financial statements for the period from 11 May 2007 (date of incorporation) to 31 December 2007

The company was incorporated on 11 May 2007 in the name of Priority S S Limited. The company changed its name on 25 June 2007 to Priority Secure Services Limited.

### Principal activities

The principal activity of the company is the management of long-term medium secure units for individuals with chronic behavioural problems.

### Business review

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

As the company is focussed on the healthcare sector, the performance of the company can be impacted by external factors. The principal factors are changes in the UK government's policy towards outsourcing of healthcare, changes in the regulatory regime and competitive threats from other independent providers. Management uses a range of financial and non-financial indicators to manage the business. These are derived from all areas of the business and include sales growth by unit, occupancy and achieved EBITDA margins.

Further information regarding the operations and key performance indicators of the group are set out in the directors' report of Priority Investments Holdings Limited.

On 4 June 2007, the company

- purchased the trade and assets and assumed the liabilities of Priority Old Forensic Services Limited (a fellow subsidiary undertaking) for a consideration of £31 million
- purchased certain trade and assets and assumed certain liabilities of Priority Old Acute Services Limited (a fellow subsidiary undertaking) for a consideration of £3 million

These purchases were effected as part of a general re-organisation of the Group's structure.

### Dividends

The directors do not recommend the payment of a dividend.

### Directors

The directors who held office during the period were as follows

|                      |                         |
|----------------------|-------------------------|
| Professor C Thompson | (appointed 11 May 2007) |
| S Bradshaw           | (appointed 11 May 2007) |
| S Mukerji            | (appointed 11 May 2007) |

On 17 April 2008, P Scott was appointed as a director of the company. On 12 June 2008, M Franzidis and Mrs A Rose-Quirie were appointed as directors of the company.

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

## Directors' report (continued)

### Employees

The directors recognise that the continued position of the company in the health care industry depends on the quality and motivation of its employees and as such the company is committed to pursue employment policies, which will continue to attract, retain and motivate its employees

Good and effective employee communications are particularly important, and throughout the business it is the directors' policy to promote the understanding by all employees of the company's business aims and performance. This is achieved through internal publications, presentations on performance and a variety of other approaches appropriate for a particular location

The directors believe that it is important to recruit and retain capable and caring staff regardless of their sex, marital status, race or religion. It is the company's policy to give full and fair consideration to applications for employment from people who are disabled, to continue wherever possible the employment of and to arrange appropriate training for, employees who become disabled and to provide equal opportunities for the career development, training and promotion of disabled employees

### Auditors

During the period, PricewaterhouseCoopers LLP were appointed as auditors by the directors and they have expressed their willingness to continue in office

### 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



S Mukerji  
Company secretary

Priory House  
Randalls Way  
Leatherhead  
Surrey  
KT22 7TP

1 July 2008

## 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 Secure Services Limited

We have audited the financial statements of Priory Secure Services Limited for the period ended 31 December 2007 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

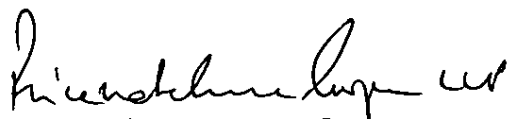
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2007 and of its loss for the period from 8 May 2007 to 31 December 2007,
- 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  
Reading

1 July 2008

**Profit and loss account**  
*for the period from 11 May 2007 to 31 December 2007*

|  | Note | Period from 11 May 2007<br>to 31 December 2007<br>£000 |
|--|------|--|
| <b>Turnover</b>  | 2    | 26,289   |
| Cost of sales  |      | (23,815)   |
|  |      | <hr/>  |
| <b>Gross profit</b>  |      | 2,474  |
| Administrative expenses ( <i>including operating exceptional costs of £158,000</i> ) | 3    | (2,057)  |
|  |      | <hr/>  |
| <b>Operating loss</b>  |      | 417  |
| Loss on sale of fixed assets   | 3    | (2)  |
|  |      | <hr/>  |
| <b>Profit before interest and tax</b>  |      | 415  |
| Net interest payable and similar charges   | 6    | (7,137)  |
|  |      | <hr/>  |
| <b>Loss on ordinary activities before taxation</b>                                   | 3    | (6,722)  |
| Tax credit on loss on ordinary activities  | 7    | 898  |
|  |      | <hr/>  |
| <b>Loss for the financial year</b>   | 14   | (5,824)  |
|  |      | <hr/>  |

The results for the current period derive from acquired activities


The company had no other recognised gains or losses for the period 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 period stated above and their historical cost equivalents

**Balance sheet**  
**at 31 December 2007**

|   | Note | £000     | 2007<br>£000 |
|---|------|----------|--------------|
| <b>Fixed assets</b>   |      |          |              |
| Intangible assets   | 8    |          | 28,430       |
| Tangible assets   | 9    |          | 129,204      |
|   |      |          | <hr/>        |
|   |      |          | 157,634      |
| <b>Current assets</b>   |      |          |              |
| Debtors   | 10   | 6,879    |              |
| Cash at bank and in hand  |      | 1,299    |              |
|   |      | <hr/>    |              |
|   |      | 8,178    |              |
| <b>Creditors:</b> amounts falling due within<br>one year          | 11   | (15,608) |              |
|   |      | <hr/>    |              |
| <b>Net current liabilities</b>                                    |      |          | (7,430)      |
|   |      |          | <hr/>        |
| <b>Total assets less current liabilities</b>                      |      |          | 150,204      |
| <b>Creditors:</b> amounts falling due after<br>more than one year | 12   |          | (156,018)    |
|   |      |          | <hr/>        |
| <b>Net liabilities</b>  |      |          | (5,814)      |
|   |      |          | <hr/>        |
| <b>Capital and reserves</b>                                       |      |          |              |
| Called up share capital   | 13   |          | 10           |
| Profit and loss account – deficit                                 | 14   |          | (5,824)      |
|   |      |          | <hr/>        |
| <b>Shareholders' deficit</b>                                      | 15   |          | (5,814)      |
|   |      |          | <hr/>        |

These financial statements were approved by the board of directors on 1 July 2008 and were signed on its behalf by

  
**S Mukerji**  
 Director



## Notes

*(forming part of 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

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 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

#### ***Goodwill***

Goodwill relating to acquisitions of businesses, which represents the excess of the fair value of the consideration paid over the fair value of the assets and liabilities acquired, is capitalised in the balance sheet in the year of acquisition and amortised over a period not exceeding 20 years

#### ***Tangible fixed assets and depreciation***

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment

Assets in course of construction represent the direct costs of purchasing, constructing and installing tangible fixed assets ahead of their productive use. No depreciation is provided on an asset that is in the course of construction until it is completed and transferred to an asset heading that is appropriate

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

|  |   |   |
|--|---|---|
| Freehold buildings and long leasehold properties | - | 50 years                                  |
| Short leasehold properties                       | - | over the period of the lease              |
| Plant, fixtures and fittings                     | - | 3 to 16 years                             |
| Motor vehicles                                   | - | over the shorter of the lease and 4 years |

Land is not depreciated on the basis that land has an unlimited life

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

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

#### ***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

## Notes (continued)

### 1 Accounting policies (continued)

#### **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.

#### **Turnover and revenue recognition**

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

### 2 Analysis of turnover and loss on ordinary activities before taxation

The company's turnover, loss before taxation and net assets arise primarily from its principal activity of the management of long-term medium secure units for individuals with chronic behavioural problems in the United Kingdom.

### 3 Loss on ordinary activities before taxation

|  | 11 May to<br>31 Dec 2007<br>£000 |
|--|----------------------------------|
| <b><i>Loss on ordinary activities before taxation is stated after charging</i></b> |                                  |
| Auditors' remuneration (inclusive of VAT)  | 19                               |
| Depreciation and other amounts written off tangible fixed assets                   |                                  |
| Owned  | 386                              |
| Leased   | 3,028                            |
| Amortisation of capitalised goodwill   | 859                              |
| Rentals under operating leases   |                                  |
| Hire of plant and machinery  | 41                               |
| Other operating leases   | 956                              |
| Operating exceptional items  |                                  |
| - re-organisation and rationalisation costs  | 158                              |
| Loss on disposal of tangible fixed assets  | 2                                |
|  | <hr/>                            |

## Notes (continued)

### 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.

### 5 Staff numbers and costs

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

|                                  | Number of employees<br>11 May to<br>31 Dec 2007 |
|----------------------------------|---|
| Nursing and other clinical staff | 720   |
| Administrative staff             | 134   |
|                                  | <hr/> 854 <hr/>                                 |

The aggregate payroll costs of these persons were as follows:

|                       | 11 May to<br>31 Dec 2007<br>£000 |
|-----------------------|----------------------------------|
| Wages and salaries    | 12,175                           |
| Social security costs | 1,262                            |
| Other pension costs   | 194                              |
|                       | <hr/> 13,631 <hr/>               |

## Notes (continued)

### 6 Net interest payable and similar charges

|   | 11 May to<br>31 Dec 2007<br>£000 |
|---|----------------------------------|
| <i>Interest payable and similar charges</i>                                 |                                  |
| On bank loans and overdrafts  | 2                                |
| Inter-company interest payable  | 1,860                            |
| Finance charges payable in respect of finance leases                        | 4                                |
| Finance charges payable in respect of finance leases with group undertaking | 5,285                            |
|   | <hr/>                            |
|   | 7,151                            |
| <i>Interest receivable and similar income</i>                               |                                  |
| On bank deposits  | (14)                             |
|   | <hr/>                            |
|   | 7,137                            |
|   | <hr/>                            |

### 7 Taxation

|   | 11 May to<br>31 Dec 2007<br>£000 |
|---|----------------------------------|
| <i>UK corporation tax</i>                 |                                  |
| Current tax credit on loss for the period | (898)                            |
|   | <hr/>                            |

The tax credit of £898,000 in the period is to be surrendered to other group companies in exchange for payment of the same amount

The standard rate of tax for the period, based on the UK standard rate of corporation tax is 30% The actual tax credit for the period is lower than the standard rate for the reasons set out in the following reconciliation

|  | 11 May to<br>31 Dec 2007<br>£000 |
|--|----------------------------------|
| Loss on ordinary activities before tax                                     | (6,722)                          |
|  | <hr/>                            |
| Tax on loss on ordinary activities at standard rate                        | (2,017)                          |
| <i>Factors affecting charge for the period</i>                             |                                  |
| Capital allowances for period in excess of depreciation                    | (119)                            |
| Other timing differences   | 37                               |
| Depreciation of non-qualifying assets                                      | 940                              |
| Expenses not deductible for tax purposes (including goodwill amortisation) | 261                              |
|  | <hr/>                            |
| Total actual amount of current tax   | (898)                            |
|  | <hr/>                            |

## Notes (continued)

### 7 Taxation (continued)

No provision has been made for a deferred tax asset of £193,000 in respect of tax losses due to there being insufficient current year group taxable profits available to utilise those losses. The recoverability of the tax losses in future years is dependent on the future profitability of the company.

### 8 Intangible fixed assets - goodwill

|                       | Total<br>£000 |
|-----------------------|---------------|
| <b>Cost</b>           |               |
| Businesses acquired   | 29,289        |
|                       | <hr/>         |
| At end of the period  | 29,289        |
|                       | <hr/>         |
| <b>Amortisation</b>   |               |
| Charge for the period | 859           |
|                       | <hr/>         |
| At end of the period  | 859           |
|                       | <hr/>         |
| <b>Net book value</b> |               |
| At 31 December 2007   | <b>28,430</b> |
|                       | <hr/> <hr/>   |

During the year, the company acquired the trade and assets and assumed the liabilities of Priory Old Forensic Services Limited (a fellow subsidiary undertaking) for a consideration of £31 million and acquired certain trade and assets and assumed certain liabilities of Priory Old Acute Services Limited (a fellow subsidiary undertaking) for a consideration of £3 million. The assets and liabilities acquired and the resulting goodwill are set out below.

|                                 | Book<br>value<br>£000 | Fair value<br>adjustments<br>£000 | Fair value<br>to the<br>company<br>£000 |
|---------------------------------|-----------------------|-----------------------------------|---|
| Fixed assets                    | 129,964               | -                                 | 129,964                                 |
| Net current assets              | 1,897                 | -                                 | 1,897                                   |
| Long-term liabilities           | (127,150)             | -                                 | (127,150)                               |
|                                 | <hr/>                 | <hr/>                             | <hr/>                                   |
|                                 | 4,711                 | -                                 | 4,711                                   |
|                                 | <hr/>                 | <hr/>                             | <hr/>                                   |
| Goodwill arising on acquisition |                       |                                   | 29,289                                  |
|                                 |                       |                                   | <hr/>                                   |
| Consideration                   |                       |                                   | 34,000                                  |
|                                 |                       |                                   | <hr/> <hr/>                             |
| <i>Satisfied by</i>             |                       |                                   |   |
| Inter-company loans             |                       |                                   | 34,000                                  |
|                                 |                       |                                   | <hr/> <hr/>                             |

## Notes (continued)

### 9 Tangible assets

|                                | Land<br>and<br>buildings<br>£000 | Assets in<br>course of<br>construction<br>£000 | Fixtures<br>and fittings<br>£000 | Motor<br>vehicles<br>£000 | Total<br>£000 |
|--------------------------------|----------------------------------|--|----------------------------------|---------------------------|---------------|
| <b>Cost</b>                    |                                  |  |                                  |                           |               |
| Business acquired (see note 8) | 125,569                          | 65   | 4,187                            | 143                       | 129,964       |
| Additions                      | -                                | 2,409  | 261                              | -                         | 2,670         |
| Disposals                      | -                                | (4)  | (4)                              | (8)                       | (16)          |
| Transfers                      | -                                | (106)  | 106                              | -                         | -             |
|                                | <hr/>                            | <hr/>  | <hr/>                            | <hr/>                     | <hr/>         |
| At end of the period           | 125,569                          | 2,364  | 4,550                            | 135                       | 132,618       |
|                                | <hr/>                            | <hr/>  | <hr/>                            | <hr/>                     | <hr/>         |
| <b>Depreciation</b>            |                                  |  |                                  |                           |               |
| Charge for the period          | 2,882                            | -  | 501                              | 31                        | 3,414         |
|                                | <hr/>                            | <hr/>  | <hr/>                            | <hr/>                     | <hr/>         |
| At end of the period           | 2,882                            | -  | 501                              | 31                        | 3,414         |
|                                | <hr/>                            | <hr/>  | <hr/>                            | <hr/>                     | <hr/>         |
| <b>Net book value</b>          |                                  |  |                                  |                           |               |
| At 31 December 2007            | 122,687                          | 2,364  | 4,049                            | 104                       | 129,204       |
|                                | <hr/>                            | <hr/>  | <hr/>                            | <hr/>                     | <hr/>         |

Included in the total net book value of land and buildings is £122,443,000 in respect of assets held under finance leases. Depreciation for the period on these assets was £2,876,000

Included in the total net book value of fixtures and fittings is £1,617,000 in respect of assets held under finance leases. Depreciation for the period on these assets was £121,000

Included in the total net book value of motor vehicles is £104,000 in respect of assets held under finance leases. Depreciation for the period on these assets was £31,000

## Notes (continued)

### 9 Tangible fixed assets (continued)

| Freehold and leasehold land and buildings | 2007<br>£000        |
|---|---------------------|
| Freehold                                  | 244                 |
| Leasehold                                 | 122,443             |
|   | <hr/> 122,687 <hr/> |

### 10 Debtors

|                                     | 2007<br>£000      |
|-------------------------------------|-------------------|
| Trade debtors                       | 4,389             |
| Amounts due from group undertakings | 1,503             |
| Other debtors                       | 4                 |
| Group relief recoverable            | 898               |
| Prepayments and accrued income      | 85                |
|                                     | <hr/> 6,879 <hr/> |

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

|   | 2007<br>£000       |
|---|--------------------|
| Obligations under finance lease contracts (see note 12)                       | 44                 |
| Obligation under finance lease contracts with group undertaking (see note 12) | 8,791              |
| Trade creditors   | 421                |
| Amounts owed to group undertakings  | 1,840              |
| Other taxes and social security   | 669                |
| Other creditors   | 1,523              |
| Accruals and deferred income  | 2,320              |
|   | <hr/> 15,608 <hr/> |

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

## Notes (continued)

### 12 Creditors: amounts falling due after more than one year

|   | 2007<br>£000        |
|---|---------------------|
| Obligations under finance leases                                | 68                  |
| Obligation under finance lease contracts with group undertaking | 117,106             |
| Amounts owed to group undertakings                              | 38,844              |
|   | <hr/> 156,018 <hr/> |

Obligations under finance leases are payable as follows

|                          | 2007<br>£000    |
|--------------------------|-----------------|
| Within one year or less  | 44              |
| Within one to two years  | 39              |
| Within two to five years | 29              |
|                          | <hr/> 112 <hr/> |

Obligations under finance leases with group undertaking are payable as follows

|                          | 2007<br>£000        |
|--------------------------|---------------------|
| Within one year or less  | 8,791               |
| Within one to two years  | 9,010               |
| Within two to five years | 108,096             |
|                          | <hr/> 125,897 <hr/> |

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.



## Notes (continued)

### 13 Called up share capital

|   | 2007<br>£ |
|---|-----------|
| <b>Authorised</b>                         |           |
| 10,000 Ordinary shares of £1 each         | 10,000    |
|   | <hr/>     |
| <b>Allotted, called up and fully paid</b> |           |
| 10,000 Ordinary shares of £1 each         | 10,000    |
|   | <hr/>     |

During the period, the company issued 10,000 ordinary shares of £1 each for a total consideration of £10,000

### 14 Reserves

|                              | Profit<br>and loss<br>account<br>£000 |
|------------------------------|---------------------------------------|
| Retained loss for the period | (5,824)                               |
|                              | <hr/>                                 |
| At end of the period         | (5,824)                               |
|                              | <hr/>                                 |

### 15 Reconciliation of movement in shareholders' deficit

|  | 2007<br>£000 |
|--|--------------|
| Loss for the financial period              | (5,824)      |
| New share capital subscribed (see note 13) | 10           |
|  | <hr/>        |
| Closing shareholders' deficit              | (5,814)      |
|  | <hr/>        |

### 16 Contingent liabilities

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 2007.

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

## Notes (continued)

### 17 Commitments

- a) Capital commitments at the end of the financial year, for which no provision has been made, are as follows

|            | 2007<br>£000 |
|------------|--------------|
| Contracted | 104          |

- b) Annual commitments under non-cancellable operating leases are as follows

|  | Land and<br>buildings<br>£000 | 2007<br>Other<br>£000 |
|--|-------------------------------|-----------------------|
| Operating leases which expire          |                               |                       |
| Within one year                        | 40                            | 21                    |
| In the second to fifth years inclusive | 1,595                         | 3                     |
|  | <u>1,635</u>                  | <u>24</u>             |

### 18 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £194,000.

As at 31 December 2007, there were outstanding contributions of £42,000.

### 19 Ultimate parent company

The company's immediate parent company, which is incorporated in the Cayman Islands, is Priory Holdings Company No. 3 Limited.

The ultimate parent company and the largest group of which the company is a member and for which group accounts are prepared is that headed by Priory Investments Holdings Limited. A copy of the consolidated accounts can be obtained from the Company Secretary at Priory House, Randalls Way, Leatherhead, Surrey KT22 7TP.