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COMPANIES FORM No. 155(6)a
Declaration in relation to
assistance for the acquisition
of shares

155(6)a

CHFP025

Please do not
write in this
margin

Pursuant to section 155(6) of the Companies Act 1985

Please complete
legibly, preferably
in black type, or
bold block lettering

To the Registrar of Companies
(Address overleaf - Note 5)

For official use

Company number

1929428

Note
Please read the notes
on page 3 before
completing this form

Name of company

* Chelrham Senior School Limited

* insert full name
of company

~~Mr~~ Mr Torsten Mack of D10 The Bridge, 334 Queenstown Road, London SW8
4NP and Dr Chaitanya Bhupendra Patel, The Thatched House, Manor Way
Oxshott, Leatherhead, Surrey, KT22 0HU

§ insert name(s) and
address(es) of all
the directors

† delete as
appropriate

~~the sole director~~ [all the directors]† of the above company do solemnly and sincerely declare that:

The business of the company is:

§ delete whichever
is inappropriate

~~(a) that of a recognised bank, licensed institution, within the meaning of the Banking Act 1979,
(b) that of a person authorised under section 1 of the Financial Services Act 1986 to carry on
regulated business, or~~

(c) something other than the above§

The company is proposing to give financial assistance in connection with the acquisition of shares in the
[company] ~~company~~

The assistance is for the purpose of [that acquisition] ~~reducing or discharging a liability incurred by the
company~~

The number and class of the shares acquired or to be acquired is: 1,000 ordinary shares of
£1 each in the capital of the Company

Presenter's name address and
reference (if any):

Nabarro Nathanson
Lacon House
Theobald's Road
London
WC1X 8RW
DX77 London / Chancery
Ref: P1961/4/DUP/2615541

For official Use
General Section

Post room



LD4
COMPANIES HOUSE

L2F65P24

0383
10/10/03

The assistance is to be given to: (note 2) _____

Priory Education Services Limited (registration number 2838284) the registered office of which is situated at Priory House, Randalls Way, Leatherhead, Surrey KT22 7PT

Please do not write in this margin

Please complete legibly, preferably in black type, or bold block lettering

The assistance will take the form of:

Please see Appendix 1.

The person who [has acquired] ~~will acquire~~ the shares is:

† delete as appropriate

Priory Education Services Limited

The principal terms on which the assistance will be given are:

Please see Appendix 2.

The amount of cash to be transferred to the person assisted is £ Nil

The value of any asset to be transferred to the person assisted is £ Nil

The date on which the assistance is to be given is 7 October 2003

Please do not
write in this
margin

Please complete
legibly, preferably
in black type, or
bold block lettering

* delete either (a) or
(b) as appropriate

X We have formed the opinion, as regards the company's initial situation immediately following the date on which the assistance is proposed to be given, that there will be no ground on which it could then be found to be unable to pay its debts. (note 3)

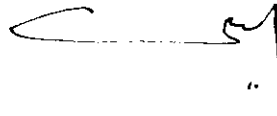
(a) [I/We have formed the opinion that the company will be able to pay its debts as they fall due during the year immediately following that date]* (note 3)

(b) [It is intended to commence the winding up of the company within 12 months of that date, and I/we have formed the opinion that the company will be able to pay its debts in full within 12 months of the commencement of the winding up.]* (note 3)

And I/we make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1835.

Declared at PRIORY HOUSE, RANDALLS WAY,
LEATHERHEAD, SURREY KT22
TRP.

Declarants to sign below



Day Month Year
on

0	7	1	0	2	0	0	3
---	---	---	---	---	---	---	---

before me 

A Commissioner for Oaths or Notary Public or Justice of the Peace or a Solicitor having the powers conferred on a Commissioner for Oaths.

NOTES

- 1 For the meaning of "a person incurring a liability" and "reducing or discharging a liability" see section 152(3) of the Companies Act 1985.
- 2 Insert full name(s) and address(es) of the person(s) to whom assistance is to be given; if a recipient is a company the registered office address should be shown.
- 3 Contingent and prospective liabilities of the company are to be taken into account - see section 156(3) of the Companies Act 1985.
- 4 The auditors report required by section 156(4) of the Companies Act 1985 must be annexed to this form
- 5 The address for companies registered in England and Wales or Wales is:-

The Registrar of Companies
Companies House
Crown Way
Cardiff
CF14 3UZ

or, for companies registered in Scotland:-

The Registrar of Companies
37 Castle Terrace
Edinburgh
EH1 2EB

Chelfham Senior School Limited
Company Number 1929428

(the "Company")

Appendix 1 – Form 155(6)(a)

1. In this statutory declaration (including Appendix 2) the following expressions have, unless otherwise defined, the following meanings:

"Account Bank" means The Royal Bank of Scotland plc;

"Borrower Debenture" means, inter alia, the debenture entered into on 4 September 2003 between, amongst others, the Obligors and the Borrower Security Trustee as trustee for the Borrower Secured Creditors and the Capex Facility Secured Creditors to which the Company is to accede on or after the date of this declaration, pursuant to which each of the Obligors (including the Company) will create fixed and floating charges over all of its assets and undertaking (other than, in respect of the Company, the fixed charge created in respect of the DEKM Debt) in favour of the Borrower Security Trustee and will provide a guarantee and indemnity in respect of the Borrower Secured Liabilities and the Capex Facility Secured Liabilities;

"Borrower Secured Creditors" means, inter alia, the Borrower Security Trustee, the Issuer, the Cash Manager (only so long as it is not a member of the Priory Group), the Capex Facility Provider, the Working Capital Facility Provider, the Account Bank and any receiver appointed under (and as defined in) the Borrower Debenture;

"Borrower Secured Liabilities" means the aggregate of all obligations, moneys and liabilities (including the unpaid balance of every sum (of principal, interest or otherwise), whether present or future, actual or contingent (and whether incurred by an Obligor solely or jointly with one or more Obligors and whether as a principal or as a surety or in some other capacity) and under or in respect of any guarantees) which from time to time are or may become due, owing or payable by the Obligors to the Borrower Security Trustee or any of the other Borrower Secured Creditors under any Borrower Transaction Document;

"Borrower Security Trustee" means Citicorp Trustee Company Limited;

"Borrower Transaction Documents" means:

- (a) the Issuer/Borrower Facility Agreement;
- (b) the Borrower Debenture;
- (c) the Subordination and Intercreditor Deed;
- (d) the Subordinated Loan Agreement;
- (e) the Account Bank and Cash Management Agreement;
- (f) the Tax Deed of Covenant;
- (g) the Working Capital Facility Agreement;
- (h) the Capex Facility Agreement;

- (i) the Subscription Agreement;
- (j) the Master Framework Agreement;
- (k) the Intra-Group Facility Agreement;

and certain other agreements defined as such in the Master Framework Agreement;

"Borrowers" means Priory Securitisation Limited, Priory Securitisation Holdings Limited, Priory Healthcare Limited, Priory Education Services Limited, Blenheim Healthcare Limited, Priory Rehabilitation Services Limited, Priory Central Services Limited, Farm Place Limited, Priory Specialist Health Limited and Fairleigh Schools Limited;

"Capex Facility Agreement" means a capital expenditure facility agreement entered into on 4 September 2003 between, amongst others, the Obligors (other than the Company), the Capex Facility Provider and the Borrower Security Trustee to which the Company is to accede on or after the date of this declaration, pursuant to which the Capex Facility Provider will provide term loan facilities of up to £55 million for the capital expenditure purposes of the Obligors;

"Capex Finance Documents" means:

- (a) the Capex Facility Agreement;
- (b) the Borrower Debenture;
- (c) the Subordination and Intercreditor Deed;

and certain other documents defined as such in the Master Framework Agreement;

"Capex Facility Provider" means The Royal Bank of Scotland plc;

"Capex Facility Secured Creditors" means the Capex Facility Provider, the Borrower Security Trustee in respect of certain amounts attributable to the facilities provided under the Capex Facility Agreement and any receiver appointed by the Borrower Security Trustee in respect of any Mortgaged Property the subject of a loan made under the Capex Facility Agreement;

"Capex Facility Secured Liabilities" means the aggregate of all obligations, moneys and liabilities (including the unpaid balance of every sum (of principal, interest or otherwise), whether present or future, actual or contingent (and whether incurred by an Obligor solely or jointly with one or more Obligors and whether as a principal or as a surety or in some other capacity) and under or in respect of any guarantees), which from time to time are or may become due, owing or payable by the Obligors to the Borrower Security Trustee (whether for its own account or as trustee for the Capex Facility Secured Creditors) or any of the other Capex Facility Secured Creditors, in each case under the Capex Facility Agreement;

"Cash Manager" means Priory Central Services Limited;

"Deed of Guarantee and Charge" means the deed of guarantee and charge relating to the Company's obligations under the Sale and Purchase Agreement and the

security of such obligations in respect of the DEKM Debt to be entered into between (1) the Company and (2) Dr Roger Burland on or after the date of this declaration;

"DEKM Debt" has the meaning set out in the Deed of Guarantee and Charge;

"DEKM Power of Attorney" means the power of attorney granted as a security interest by (1) the Company to (2) Dr Roger Burland on or after the date of this declaration authorizing Dr Roger Burland to take certain actions in relation to the DEKM Claim (as defined therein);

"Encumbrance" means:

- (a) a mortgage, charge, security, pledge, lien, assignment, standard security, assignation or other encumbrance securing any obligation of any person or any agreement or arrangement having a similar effect (including any title transfer or retention arrangement); or
- (b) any arrangement under which money or claims to, or the benefit of, a bank or other account may be applied, set off or made subject to a combination of accounts so as to effect discharge of any sum owed or payable to any person;

"English Real Property" means the real or leasehold properties specified in Part 1 of Schedule 1 (*Details of Real Property*) to the Borrower Debenture and any other real or leasehold property situated in England title to which is held by an Obligor either on or after the Closing Date (as defined in the Master Framework Agreement);

"Insurance Policies" means, in respect of each Obligor, each of the policies of insurance or assurance set out in Schedule 5 (*Details of Insurance Policies*) to the Borrower Debenture, including any other policies of insurance or assurance taken out by or on behalf of any Obligor in which any Obligor may, on or after 4 September 2003 have an interest;

"Intellectual Property" means, in respect of each Obligor, any registered trade marks owned by such Obligor, details of which are set out in Schedule 6 (*Details of Intellectual Property*) to the Borrower Debenture;

"Intermediate Parent" means Priory Group Limited (formerly Priory Healthcare Acquisition Co. Limited);

"Intra-Group Facility Agreement" means the intra-group facility agreement entered into on 4 September 2003 between the Obligors (other than the Company);

"Investments" has the meaning given to it in the Master Framework Agreement;

"Issuer" means Priory Finance Company Limited;

"Issuer/Borrower Facility Agreement" means the facility agreement entered into on 4 September 2003 between, amongst others, the Obligors (other than the Company), the Issuer, the Borrower Security Trustee and the Cash Manager, and to which the Company is to accede to on or after the date of this declaration and pursuant to which the Issuer is making available to the Borrowers certain term loan facilities

"Master Framework Agreement" means a master framework agreement between, amongst others, the Issuer, the Obligors (other than the Company), the Intermediate Parent, the Account Bank, the Capex Facility Provider and the Working Capital

Facility Provider which sets out certain definitions, common terms, representations and warranties, covenants and other provisions which are incorporated to the extent stated in each of the Borrower Transaction Documents and to which the Company is to accede to, on or after the date of this declaration;

"Monetary Claims" has the meaning given to it in the Master Framework Agreement;

"Mortgaged Property" means a freehold, leasehold or heritable property interest over which an Obligor has granted a mortgage, fixed charged, standard security or conditional bond and security (as applicable) pursuant to the terms of the Borrower Debenture;

"Notes" means:

- (a) the class A secured fixed/floating rate notes due 2023;
- (b) the class B secured floating rate notes due 2027;
- (c) the class C secured floating rate notes due 2033,

issued by the Issuer on 4 September 2003;

"Note Trustee" means Citicorp Trustee Company Limited;

"Obligors" means the Borrowers, the Company and each of Priory Specialist Health Division Limited, Priory Rehabilitation Services Holdings Limited, Priory Services for Young People (IOM) Limited, The Nottingham Clinic Limited, North Hill House Limited, Highbank Private Hospital Limited, Jacques Hall Development Limited, Jacques Hall Limited, Robinson Kay House (Bury) Limited, Priory Hospitals Limited, Priory Healthcare Services Limited, Libra Health Limited, Libra Nursing Homes Limited, Ticehurst House Private Clinic Limited and Eastwood Grange Company Limited;

"Obligor Accounts" means the Obligor Operating Accounts (as defined in the Master Framework Agreement), the Specific Accounts (as defined in the Master Framework Agreement) and any other account opened or maintained by an Obligor with the Account Bank or with an Eligible Bank (as defined in the Master Framework Agreement), in accordance with the Account Bank and Cash Management Agreement;

"Obligor Charged Property" means the property, assets, rights and undertaking of each Obligor that are the subject of the security interests created under or pursuant to the Borrower Security Documents (as defined in the Master Framework Agreement);

"Obligor Security Accession Deed" means a deed of accession to be executed by the Company in a form and substance satisfactory to the Borrower Security Trustee pursuant to which the Company will become party to the Borrower Debenture as an Obligor;

"Parent" means Priory Healthcare Investments Limited;

"Permitted Encumbrance" has the meaning given to it in the Master Framework Agreement;

"Priority Group" means those companies in respect of which the Parent is their ultimate parent company;

"Real Property" means, in respect of the Company:

- (a) the English Real Property;
- (b) all other freehold or leasehold property (or the equivalent thereto) in any jurisdiction now or in the future owned by the Company or in which the Company has an interest; and
- (c) any buildings, fixtures, fittings, fixed plant or machinery from time to time situated or forming part of any such property specified in paragraphs (a) and (b) above;

"Related Rights" means, in relation to any asset:

- (a) the proceeds of sale of any part of that asset;
- (b) all rights under any license, agreement for sale or agreement for lease in respect of that asset;
- (c) all rights, benefits, claims, contracts, warranties, remedies, security, indemnities or covenants for title in respect of that asset; and
- (d) any moneys and proceeds paid or payable in respect of that asset;

"Sale and Purchase Agreement" means the agreement relating to the sale and purchase of the Company to be dated on or about October 2003 and made between (1) Dr John Roger Burland and Katy Tamsin Roberts and (2) the Company;

"Shares" means, in respect of the Company, the 1,000 issued ordinary shares in the capital of the Company, representing the existing entire issued share capital of the Company to the Borrower Debenture as acceded to by the Company;

"Subordinated Creditors" means the Intermediate Parent and any party which accedes to the Subordination and Intercreditor Deed as a Subordinated Creditor pursuant to the terms thereof;

"Subordinated Loan Agreement" means the loan agreement entered into on 4 September 2003 between the Intermediate Parent as lender and certain of the Obligors, other than the Company, as borrowers;

"Subordination and Intercreditor Deed" means the subordination and intercreditor deed entered into on 4 September 2003 between, amongst others, the Obligors, other than the Company, the Borrower Security Trustee, the Borrower Secured Creditors, the Capex Facility Secured Creditors, the Subordinated Creditors and the Note Trustee and to which the Company is to accede on or after the date of this declaration;

"Subordinated Liabilities" has the meaning given to it in the Master Framework Agreement;

"Subscription Agreement" means a subscription agreement between the Issuer, the Obligors, other than the Company, and The Royal Bank of Scotland plc as lead

manager pursuant to which The Royal Bank of Scotland plc has agreed to subscribe, or procure subscriptions, for the Notes;

"Tangible Moveable Property" means, in respect of the Company, any plant, machinery, office equipment, computers, vehicles and other chattels (excluding any for the time being forming part of the stock in trade or work in progress of the Company and all Related Rights;

"Tax Deed of Covenant" means the tax deed of covenant entered into on 4 September 2003, between amongst others, the Parent, the Intermediate Parent, the Obligors (other than the Company), the Issuer, the Note Trustee and the Borrower Security Trustee and to which the Company is to accede on or after the date of this declaration;

"Working Capital Facility Agreement" means the working capital facility agreement entered into on 4 September 2003 between the Obligors (other than the Company), the Working Capital Facility Provider, the Account Bank and the Borrower Security Trustee pursuant to which the Working Capital Facility Provider will provide a facility of up to £5 million for working capital and general corporate purposes of the Obligors; and

"Working Capital Facility Provider" means The Royal Bank of Scotland plc.

2. The financial assistance will take the form of the execution, delivery and performance by the Company of:
 - 2.1 a deed of accession to the Issuer/Borrower Facility Agreement;
 - 2.2 a deed of accession to the Capex Facility Agreement;
 - 2.3 the Obligor Security Accession Deed, which comprises a deed of accession to the Borrower Debenture and a supplementary debenture;
 - 2.4 a deed of accession to the Subordination and Intercreditor Deed;
 - 2.5 a deed of accession to the Tax Deed of Covenant;
 - 2.6 a deed of accession to the Master Framework Agreement; and
 - 2.7 the Deed of Guarantee and Charge;
 - 2.8 the DEKM Power of Attorney.

Chelfham Senior School Limited
Company Number 1929428

(the "Company")

Appendix 2 – Form 155(6)(a)

1. By acceding to the Issuer/Borrower Facility Agreement as Obligor, the Company will inter alia:
 - 1.1 become an Obligor (as defined in the Issuer/Borrower Facility Agreement) and as such give certain representations, warranties, covenants and undertakings; and
 - 1.2 guarantee to the Issuer each and every payment obligation of each of the other Obligors (including on account of repayments of principal and payments of interest, the Initial Facility Fee and the Ongoing Facility Fee (each as defined in the Issuer/Borrower Facility Agreement) by the Borrowers) under the Issuer/Borrower Facility Agreement.
2. By acceding to the Capex Facility Agreement as a New Capex Obligor, the Company will inter alia:
 - 2.1 become a Capex Obligor (as defined in the Capex Facility Agreement) and as such give certain warranties, representations, covenants and undertakings; and
 - 2.2 guarantee to the Capex Facility Provider each and every obligation of each other Capex Obligor its obligations under the Capex Finance Documents and each and every payment obligation of each other Capex Obligor under the Capex Facility Agreement.
3. By entering into the Obligor Security Accession Deed and acceding to the Borrower Debenture, the Company inter alia:
 - 3.1 guarantees to the Borrower Security Trustee (as trustee for the Borrower Secured Creditors and the Capex Facility Secured Creditors) each and every payment obligation in respect of the Borrower Secured Liabilities and the Capex Facility Secured Liabilities and promises to pay to the Borrower Security Trustee from time to time on demand the unpaid balance of every sum (of principal, interest or otherwise) now or hereafter owing, due or incurred by any Obligor to the Borrower Security Trustee (whether for its own account or as trustee for the Borrower Secured Creditors and the Capex Facility Secured Creditors) or any of the other Borrower Secured Creditors or Capex Facility Secured Creditors in respect of any such Borrower Secured Liabilities or any such Capex Facility Secured Liabilities, in each case in accordance with, or under any Borrower Transaction Documents;
 - 3.2 agrees as a primary obligation to indemnify the Borrower Security Trustee (whether for the Borrower Security Trustee's own account or as trustee for the Borrower Secured Creditors and the Capex Facility Secured Creditors) from time to time on demand from and against any loss or liability suffered by the Borrower Security Trustee or any Borrower Secured Creditor or any Capex Facility Secured Creditor as a result of any Borrower Secured Liability or any Capex Facility Secured Liability guaranteed by it being or becoming void, voidable, unenforceable or ineffective as against any Obligor for any reason whatsoever, whether or not known to the Borrower Security Trustee, the amount of such loss or liability being the amount

which the Borrower Security Trustee would otherwise have been entitled to recover from such Obligor; and

- 3.3 covenants with the Borrower Security Trustee (as trustee for the Borrower Secured Creditors and the Capex Facility Secured Creditors) that it shall on demand of the Borrower Security Trustee discharge each and every payment obligation such Obligor may now or hereafter have to the Borrower Security Trustee (whether for its own account or as trustee for the Borrower Secured Creditors and the Capex Facility Secured Creditors) or any of the other Borrower Secured Creditors or any Capex Facility Secured Creditor under or pursuant to, and in accordance with, the terms of the Borrower Debenture and each other Borrower Transaction Document to which it is a party,

provided that none of the covenants or undertakings in Clause 2.1 of the Borrower Debenture nor the security constituted by or pursuant to the Borrower Debenture shall extend to or include any liability or sum which would, but for this proviso, cause such covenants, undertakings or security to be unlawful or prohibited by any applicable law;

- 3.4 charges with full title guarantee in favour of the Borrower Security Trustee (as trustee for the Borrower Secured Creditors and the Capex Facility Secured Creditors) as continuing security for the payment and discharge of the Borrower Secured Liabilities and the Capex Facility Secured Liabilities, by way of first fixed charge (which so far as it relates to the English Real Property shall be a charge by way of legal mortgage) all of its right, title and interest from time to time in and to each of the following assets:

- (a) the English Real Property (which specifically includes the freehold land and buildings known as Ward House, Bere Alston, Yelverton, Tavistock, West Devon PL20 7EX, title number DN346394 ("Bere Alston") and the freehold buildings known as Kilworthy House, Tavistock, West Devon PL19 0JN, part registered with title absolute under title number DN369633 and part registered with possessory title under title number DN371089 ("Kilworthy House"));
- (b) the Tangible Moveable Property;
- (c) the Obligor Accounts;
- (d) the Intellectual Property, except that full title guarantee (or, as applicable, absolute warrandice) shall not apply to Intellectual Property;
- (e) any goodwill and rights in relation to its uncalled capital;
- (f) the Investments;
- (g) the Shares, all dividends, interest and other monies payable in respect of the Shares (including rights of redemption, any bonus, or any rights arising under any preference, option, substitution or conversion relating to the Shares);
- (h) any interest in the Notes held by it; and
- (i) all Monetary Claims other than any claims which are otherwise subject to a fixed charge or assignment (at law or in equity) pursuant to the Borrower Debenture and all Related Rights;

3.5 assigns with full title guarantee (or, in the case of assets situated in, or governed by the laws of, Scotland, with absolute warrandice) to the Borrower Security Trustee (as trustee for the Borrower Secured Creditors and the Capex Facility Secured Creditors) as continuing security for the payment and discharge of the Borrower Secured Liabilities and the Capex Facility Secured Liabilities all of its right, title and interest from time to time in and to each of the following assets:

- (a) the proceeds of the Insurance Policies and all Related Rights to which it is entitled in respect of any such Insurance Policies (including those, in particular, relating to Bere Alston and/or Kilworthy House);
- (b) each of the Obligor Specified Contracts (as defined in the Borrower Debenture);
- (c) each of the Borrower Transaction Documents to which it is a party, the SPA, the Deed of Guarantee and Charge and the DEKM Power of Attorney;
- (d) the Obligor Accounts; and
- (e) all agreements, contracts, deeds, licenses, undertakings, guarantees, covenants, warranties, representations and other documents (including all documents entered into now or in the future in order to enable the Borrower Security Trustee to perfect its rights thereunder or under the Borrower Debenture) entered into by or given it in respect of the Real Property (including, in particular, Bere Alston and/or Kilworthy House) including all:
 - (i) claims, remedies, awards or judgments paid or payable to it (including all liquidated and ascertained damages payable to it in respect of the items referred to); and
 - (ii) guarantees, warranties, bonds and representations given or made by, and any rights or remedies against any designer, builder, contractor, professional adviser, sub-contractor, manufacturer, supplier or installer of any fixture, fitting, fixed plant or machinery,

in each case, relating to all or any part of the Real Property;

- (f) rental income and disposal proceeds in each case relating to Bere Alston and/or Kilworthy House and the right to make demand for and receive the same;

3.6 charges with full title guarantee in favour of the Borrower Security Trustee (as trustee for the Borrower Secured Creditors and the Capex Facility Secured Creditors) as continuing security for the payment and discharge of the Borrower Secured Liabilities and the Capex Facility Secured Liabilities at any time owed or due by way of first floating charge the whole of its undertaking and assets, present and future, other than any assets validly and effectively charged or assigned (whether at law or in equity) by way of fixed security under the laws of England and Wales, or of the jurisdiction in which that asset is situated or governed, in favour of the Borrower Security Trustee as continuing security for the Borrower Secured Liabilities and the Capex Facility Secured Liabilities;

3.7 undertakes that it shall not and shall procure (to the extent it is lawfully able to do so) that each other Obligor shall not, at any time during the subsistence of the security created by the Borrower Debenture, save for Permitted Encumbrances, create (or

agree to create) or permit to subsist any Encumbrance over all or any part of the Obligor Charged Property without the prior written consent of the Borrower Security Trustee

provided that for the purposes of the Obligor Security Accession Deed and the Borrower Debenture no Security Interest of any nature shall be granted in favour of the Borrower Security Trustee over the DEKM Assets (as defined in the Obligors Security Accession Deed) other than a floating charge created pursuant to the Borrower Debenture.

4. By acceding to the Subordination and Intercreditor Deed, the Company will, amongst other things, agree to certain arrangements regulating the ranking and priority of the Borrower Secured Liabilities, the Capex Facility Secured Liabilities and the Subordinated Liabilities, and will agree that any Subordinated Liabilities owed by it to any Subordinated Creditor will be subordinated to any Borrower Secured Liabilities owed by it any Borrower Secured Creditor.
5. By acceding to the Tax Deed of Covenant, the Company will, *inter alia*, give certain representations, warranties and undertakings and will grant certain indemnities.
6. By acceding to the Master Framework Agreement, the Company will agree that certain definitions, common terms, representations and warranties, covenants and other provisions set out therein will be incorporated in each of the Borrower Transaction Documents to the extent stated in such Borrower Transaction Documents.
7. The obligations of the Company described above continue in relation to the Borrower Transaction Documents as they may be amended, varied, novated, supplemented or replaced from time to time.
8. By entering into the Deed of Guarantee and Charge, the Company will, *inter alia*, guarantee the performance by Priory Education Services Limited of such company's obligations under clause 9.4 of the Sale and Purchase Agreement (relating, *inter alia*, to the DEKM Debt) as primary obligor and will charge the DEKM Debt, with full title guarantee and as a continuing security and by way of a fixed charge over the DEKM Debt, to the benefit of Dr John Roger Burland.
9. By granting the Power of Attorney the Company will grant, as a security interest, a power which is irrevocable (save as set out therein) to Dr John Roger Burland to take certain actions in relation to the DEKM Claim in the name of the Company (subject to the restrictions and limitations contained therein).

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH
Telephone +44 (0) 20 7583 5000
Facsimile +44 (0) 20 7822 4652

The Directors
Chelfham Senior School Limited
Priory House
Randalls Way
Leatherhead
Surrey
KT22 7TP

7 October 2003

Dear Sirs

Auditors' report to the directors of Chelfham Senior School Limited pursuant to Section 156(4) of the Companies Act 1985

We have examined the attached statutory declaration of the directors of Chelfham Senior School Limited ("the Company") dated 7 October 2003 in connection with the proposal that the Company should give financial assistance for the purchase of 1,000 of the ordinary shares of the Company. This report including the opinion, has been prepared for and only for the Company and the Company's directors in accordance with Section 156 of the Companies Act 1985 and for no other purpose. We do not, in giving the opinion set out below, 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.

Basis of opinion

We have enquired into the state of the Company's affairs in order to review the bases for the statutory declaration.

Opinion

We are not aware of anything to indicate that the opinion expressed by the directors in their declaration as to any of the matters mentioned in Section 156(2) of the Companies Act 1985 is unreasonable in all the circumstances.

Yours faithfully



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors