
Priory Securitisation Limited

Directors' report and financial statements

For the year ended 31 December 2010

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Priory Securitisation Limited

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Priory Securitisation Limited

Directors' report For the year ended 31 December 2010

The directors present their report and the audited financial statements for the year ended 31 December 2010

Principal activities and review of business

The principal activity of the company is to act as a holding company. All of the company's subsidiary undertakings are non-trading.

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

During the year, the company received dividends of £440,704,000 from its subsidiary undertakings.

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.

Future developments

The future developments of the company are aligned to the strategy of the Priory Group, headed by Priory Investments Holdings Limited. The Group's strategy for the future development of the business is included in the Group's annual report, which does not form part of this report.

Key performance indicators

The company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business. The development, performance and position of Priory Investments Holdings Limited, which includes the company, is discussed in the Group's annual report which does not form part of this report.

Results and dividends

The profit for the year, after taxation, amounted to £269,939,000 (2009 - £NIL).

The directors do not recommend the payment of a dividend (2009 - £NIL).

Directors

The directors who served during the year were

J Lock
D Hall

Priory Securitisation Limited

Directors' report For the year ended 31 December 2010

Provision of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

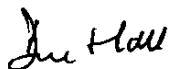
- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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

Priory Securitisation Limited

Directors' report
For the year ended 31 December 2010

This report was approved by the board and signed on its behalf



D Hall
Secretary

Date 6 May 2011

Priory House
Randalls Way
Leatherhead
Surrey
KT22 7TP

Priory Securitisation Limited

Independent auditors' report to the members of Priory Securitisation Limited

We have audited the financial statements of Priory Securitisation Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 2 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Richard Bunter (Senior Statutory Auditor)

for and on behalf of

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Newcastle-upon-Tyne

6 May 2011

Priory Securitisation Limited

Profit and loss account
For the year ended 31 December 2010

	Note	2010 £000	2009 £000
Income from shares in group undertakings		440,704	-
Amounts written off investments	5	(170,728)	-
Profit on ordinary activities before taxation	2	269,976	-
Tax on profit on ordinary activities	4	(37)	-
Profit for the financial year	10	269,939	-

All results derive from continuing operations

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented

Priory Securitisation Limited
Registered number: 3982134

Balance sheet
As at 31 December 2010

	Note	£000	2010 £000	2009 £000
Fixed assets				
Fixed asset investments	5		-	168,116
Current assets				
Debtors amounts falling due after more than one year	6	407,245	-	
Debtors amounts falling due within one year	6	92,546	36,103	
		<u>499,791</u>	<u>36,103</u>	
Creditors: amounts falling due within one year	7	<u>(73,091)</u>	<u>(100,719)</u>	
Net current assets/(liabilities)			<u>426,700</u>	<u>(64,616)</u>
Total assets less current liabilities			<u>426,700</u>	<u>103,500</u>
Creditors: amounts falling due after more than one year	8		<u>(53,261)</u>	<u>-</u>
Net assets			<u><u>373,439</u></u>	<u><u>103,500</u></u>
Capital and reserves				
Called up share capital	9		7,688	7,688
Share premium account	10		49,954	49,954
Profit and loss account	10		<u>315,797</u>	<u>45,858</u>
Total shareholders' funds	11		<u><u>373,439</u></u>	<u><u>103,500</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 6 May 2011



J Lock
Director

The notes on pages 7 to 11 form part of these financial statements

Priory Securitisation Limited

Notes to the financial statements For the year ended 31 December 2010

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies applied consistently are set out below.

The company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare group accounts on the grounds that it is included in the consolidated financial statements of a parent undertaking. These financial statements present information about the company as an individual undertaking and not about its group.

The company is a wholly owned subsidiary of Priory Investments Holdings Limited and is included in the consolidated financial statements of that company, which are publicly available. Consequently:

- the company is exempt under the terms of Financial Reporting Standard 8 "Related party transactions" from disclosing related party transactions with entities that form part of the Priory Investments Holdings Limited group, and
- the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996) "Cash flow statements".

1.2 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

1.3 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 Financial Reporting Standard 19 "Deferred tax".

1.4 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.

2. Profit on ordinary activities before taxation

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

3. Staff costs

The company has no employees other than the directors, who did not receive any remuneration (2009 - £NIL).

Priory Securitisation Limited

Notes to the financial statements For the year ended 31 December 2010

4. Tax on profit on ordinary activities

	2010 £000	2009 £000
Adjustments in respect of prior periods	37	-
Tax on profit on ordinary activities	37	-

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2009 - the same as) the standard rate of corporation tax in the UK of 28% (2009 - 28%) The differences are explained below

	2010 £000	2009 £000
Profit on ordinary activities before tax	269,976	-
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 - 28%)	75,593	-
Effects of:		
Adjustments to tax charge in respect of prior periods	37	-
Amounts written off investments	47,804	-
Income from shares in group undertakings	(123,397)	-
Current tax charge for the year	37	-

Factors that may affect future tax charges

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010, which was substantively enacted on 20 July 2010, includes legislation reducing the main rate of corporation tax from 28% to 27% from 1 April 2011. A number of further changes to the UK Corporation tax system were announced in the March 2011 UK Budget Statement. A resolution passed by Parliament on 29 March 2011 has reduced the main rate of corporation tax from 27% to 26% from 1 April 2011. Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 is expected to be included in the Finance Act 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. None of these expected rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

Priory Securitisation Limited

Notes to the financial statements For the year ended 31 December 2010

5. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2010	168,116
Additions	2,612
	<hr/>
At 31 December 2010	170,728
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Impairment	
At 1 January 2010	-
Charge for the year	170,728
	<hr/>
At 31 December 2010	170,728
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Net book value	
At 31 December 2010	-
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At 31 December 2009	168,116
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On 22 December 2010, the company subscribed for 2,611,691 ordinary shares of £1 each in Priory Old Grange Services Limited

Subsidiary undertakings

The following were the principal subsidiary undertakings of the company

Name	Class of shares	Holding
Priory Old Acute Services Limited *	Ordinary	100 %
Priory Old Schools Services Limited *	Ordinary	100 %
Priory Old Forensic Services Limited *	Ordinary	100 %
Priory Old Grange Services Limited *	Ordinary	100 %
The Nottingham Clinic Limited *	Ordinary	100 %
Highbank Private Hospital Limited *	Ordinary	100 %
Farleigh Schools Limited	Ordinary	100 %
North Hill House Limited	Ordinary	100 %
Eastwood Grange Company Limited	Ordinary	100 %
Chelfham Senior School Limited	Ordinary	100 %
Rosendale School Limited	Ordinary	100 %
Autism (GB) Limited	Ordinary	100 %
Solutions (Ross) Limited	Ordinary	100 %
Mark College Limited	Ordinary	100 %

* interests held directly by the company

A full list of subsidiaries can be obtained by writing to the Company Secretary at Priory House, Randalls Way, Leatherhead, Surrey KT22 7TP. All subsidiary undertakings are non-trading and are registered in England and Wales.

The directors consider that the carrying value of the investments is supported by their underlying net assets

Priory Securitisation Limited

Notes to the financial statements For the year ended 31 December 2010

6. Debtors

	2010 £000	2009 £000
Due after more than one year		
Amounts owed by group undertakings	407,245	-
	2010 £000	2009 £000
Due within one year		
Amounts owed by group undertakings	92,546	36,103

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

Amounts due from group undertakings due after more than one year are unsecured and bear interest at LIBOR plus 2.25% per annum. During the current year, no interest was receivable on certain amounts owed by group undertakings due after more than one year as the company received a special dispensation from HMRC which negated the need for interest to be charged.

7. Creditors: Amounts falling due within one year

	2010 £000	2009 £000
Amounts owed to group undertakings	73,054	100,719
Group relief payable	37	-
	73,091	100,719

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

8. Creditors: Amounts falling due after more than one year

	2010 £000	2009 £000
Amounts owed to group undertakings	53,261	-

Amounts due to group undertakings are unsecured and bear interest at LIBOR plus 2.25% per annum. During the current year, no interest was payable on certain amounts owed to group undertakings due after more than one year as the company received a special dispensation from HMRC which negated the need for interest to be charged.

Priory Securitisation Limited

Notes to the financial statements For the year ended 31 December 2010

9. Share capital

	2010 £	2009 £
Allotted, called up and fully paid		
7,688,090 ordinary shares of £1 each	<u>7,688,090</u>	<u>7,688,090</u>

10. Reserves

	Share premium account £000	Profit and loss account £000
At 1 January 2010	49,954	45,858
Profit for the year	-	269,939
At 31 December 2010	<u>49,954</u>	<u>315,797</u>

11. Reconciliation of movement in shareholders' funds

	2010 £000	2009 £000
Opening shareholders' funds	103,500	103,500
Profit for the year	269,939	-
Closing shareholders' funds	<u>373,439</u>	<u>103,500</u>

12. Ultimate parent undertaking and controlling party

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

At 31 December 2010, the company's ultimate parent company was 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. At that date, the directors considered that there was no ultimate controlling party of the company.

On 4 March 2011, Priory Investments Holdings Limited was acquired by Crown Newco 3 plc, a subsidiary of Crown Newco 1 Limited. As a result of the transaction, the company's ultimate parent company from 4 March 2011 onwards is Crown Newco 1 Limited (incorporated in England). Crown Newco 1 Limited is beneficially owned by funds managed by Advent International Corporation which is considered by the directors to be the ultimate controlling party of the company.