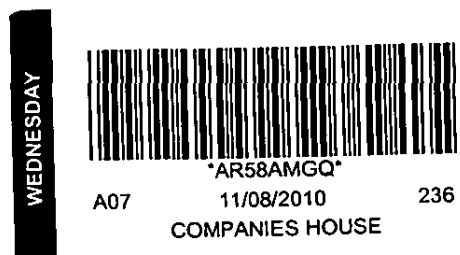


Priory Securitisation Holdings Limited

Directors' report and financial statements

Year ended 31 December 2009

Registered number 04793915



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Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2009

Principal activities

The principal activity of the company is to act as an intermediate holding company

The company has a 36.998% economic interest in the partnership capital of Priory Finance Property LLP. The principal activity of the partnership is to raise finance and to lease properties to fellow group undertakings.

Business review

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.

Key performance indicators

Given the straightforward nature of the business, 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 Investment Holdings Limited, which includes the company, is discussed in the group's annual report which does not form part of this report.

Financial risk management

The company's operations mean that it is exposed to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and interest rate risk. The directors monitor the risks in order to limit the adverse effects on the financial performance by reviewing levels of debt finance and the related finance costs, however these are integrated with the risks of group and not managed separately. Accordingly, the financial risk management policies of Priory Investment 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.

Going concern

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.

Directors' report *(continued)*

Dividends

The directors do not recommend the payment of a dividend (2008 *£nil*)

Directors

The directors who held office during the year and up to the date of signing the financial statements were as follows

J Lock
D Hall

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

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated 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 a 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
Company Secretary

Priory House
Randalls Way
Leatherhead
Surrey
KT22 7TP

28 May 2010

Statement of directors' responsibilities

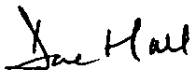
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

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 judgements 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,
- 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.

By order of the board



D Hall
Company Secretary

28 May 2010

Independent auditors' report to the members of Priory Securitisation Holdings Limited

We have audited the financial statements of Priory Securitisation Holdings Limited for the year ended 31 December 2009 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 3 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 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 2009 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 matter 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
Manchester

28 May 2010

Profit and loss account
for the year ended 31 December 2009

	Note	2009 £000	2008 £000
Operating result		-	-
Interest payable and similar charges	4	(16)	(27)
		<hr/>	<hr/>
Loss on ordinary activities before taxation	2	(16)	(27)
Tax on loss on ordinary activities	5	657	132
		<hr/>	<hr/>
Profit for the financial year	11	641	105
		<hr/>	<hr/>

The results for the current and prior year derive from continuing activities

The company had no other recognised gains or losses for the year other than the profit above, therefore no statement of total recognised gains and losses is presented

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

Balance sheet
at 31 December 2009

	Note	2009 £000	2008 £000
Fixed assets			
Investments	6	103,507	103,507
Current assets			
Debtors	7	7,957	7,432
Creditors amounts falling due within one year	8	(7,958)	(8,074)
Net current liabilities		(1)	(642)
Total assets less current liabilities		103,506	102,865
Creditors amounts falling due after more than one year	9	(344)	(344)
Net assets		103,162	102,521
Capital and reserves			
Called up share capital	10	7,688	7,688
Share premium account	11	84,999	84,999
Profit and loss account	11	10,475	9,834
Total shareholders' funds	12	103,162	102,521

The financial statements on pages 5 to 12 were approved by the board of directors on 28 May 2010 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 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

Under Financial Reporting Standard 1 (revised 1996) 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

Investments

Investments in subsidiaries are stated at cost less provision for any impairment in value

Taxation

The charge for taxation is based on the profit for the period 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

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 Loss on ordinary activities before taxation

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

The company had no employees during the year (2008 nil)

Notes to the financial statements *(continued)*

3 Directors' remuneration

The directors received no emoluments for services to the company during the year (2008 *nil*)

4 Interest payable and similar charges

	2009 £000	2008 £000
Interest payable to group undertakings	16	27

5 Tax on loss on ordinary activities

	2009 £000	2008 £000
<i>UK corporation tax</i>		
Corporation tax on loss for the year	(162)	(132)
Adjustment relating to prior years	(495)	-
	<u>(657)</u>	<u>(132)</u>

The tax credit of £657,000 (2008 £132,000) 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% (2008 28.5%)
 The actual tax credit for the year is higher than (2008 *higher than*) the standard rate for the reasons set out in the following reconciliation

	2009 £000	2008 £000
Loss on ordinary activities before taxation	(16)	(27)
Tax on loss on ordinary activities at standard rate	(5)	(8)
<i>Factors affecting credit for the year</i>		
Income from interest in partnership	(157)	(124)
Adjustment in respect of prior years	(495)	-
Total current tax credit for the year	<u>(657)</u>	<u>(132)</u>

Notes to the financial statements (continued)

6 Investments

	Total £000
Shares in group undertakings	
Cost	
At beginning and end of the year	174,687
Provisions	
At beginning and end of the year	71,180
Net book value	
At 31 December 2009 and 31 December 2008	103,507

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

Subsidiary undertakings	Principal activities	Class and percentage of share held
Priory Securitisation Limited *	Intermediate holding company	100% ordinary
Priory Old Acute Services Limited	Non-trading	100% ordinary
Priory Old Schools Services Limited	Non-trading	100% ordinary
Farleigh Schools Limited	Non-trading	100% ordinary
North Hill House Limited	Non-trading	100% ordinary
Eastwood Grange Limited	Non-trading	100% ordinary
Chelfham Senior School Limited	Non-trading	100% ordinary
Rosendale School Limited	Non-trading	100% ordinary
Autism (GB) Limited	Non-trading	100% ordinary
Solutions (Ross) Limited	Non-trading	100% ordinary
Mark College Limited	Non-trading	100% ordinary
Coxlease School Limited	Non-trading	100% ordinary
Priory Old Grange Services Limited	Non-trading	100% ordinary
Priory Old Forensic Services Limited	Non-trading	100% ordinary
The Nottingham Clinic Limited	Non-trading	100% ordinary
Highbank Private Hospital Limited	Non-trading	100% ordinary

* 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

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

Notes to the financial statements (continued)

6 Investments (continued)

<i>Interest in Partnership</i>	<i>£</i>
Cost	
At beginning and end of the year	370
	<u> </u>
Provisions	
At beginning and end of the year	-
	<u> </u>
Net book value	
At 31 December 2009 and 31 December 2008	370
	<u> </u>

As at 31 December 2009, the company had a 36.998% economic interest in the partnership capital of Priory Finance Property LLP which is a wholly owned subsidiary with the Priory Investments Holdings Limited group. The principal activity of the partnership is to raise finance and to lease properties to fellow group undertakings.

7 Debtors

	2009 £000	2008 £000
Amounts due from group undertakings	7,300	7,300
Group relief recoverable	657	132
	<u>7,957</u>	<u>7,432</u>

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

8 Creditors: amounts falling due within one year

	2009 £000	2008 £000
Amounts due to group undertakings	7,958	8,074
	<u> </u>	<u> </u>

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

Notes to the financial statements (continued)

9 Creditors: amounts falling due after more than one year

	2009 £000	2008 £000
Amounts due to group undertakings	344	344

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.

10 Called up share capital

	2009 £000	2008 £000
Authorised		
8,000,000 ordinary shares of £1 each	8,000	8,000
Allotted, called up and fully paid		
7,688,088 ordinary shares of £1 each	7,688	7,688

11 Reserves

	Share premium account £000	Profit and loss account £000
At beginning of the year	84,999	9,834
Profit for the financial year	-	641
At end of the year	84,999	10,475

Notes to the financial statements *(continued)*

12 Reconciliation of movements in shareholders' funds

	2009 £000	2008 £000
Profit for the financial year	641	105
Net addition to shareholders' funds	641	105
Opening shareholders' funds	102,521	102,416
Closing shareholders' funds	103,162	102,521

13 Contingent liabilities

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

14 Ultimate parent company

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