COMPANIES FORM No. 403a

Declaration of satisfaction in full or in part of mortgage or charge

M

403a

CHFP025

Please do not write in this margin

Pursuant to section 403(1) of the Companies Act 1985

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

To the Registrar of Companies
(Address overleaf)

For official use | Company number
[1 1 9] | 02838284

Name of company

* Insert full name of company

*Priory Education Services Limited (the "Chargor")

I, Paul Greensmith

of Priory House, Randalls Way, Leatherhead, Surrey KT22 7TP

† Delete as appropriate

[a director] ~~[the secretary] [the administrator] [the administrative receiver]~~ † of the above company, do solemnly and sincerely declare that the debt for which the charge described below was given has been paid or satisfied in **(full)** ~~(part)~~ †

‡ Insert a description of the instrument(s) creating or evidencing the charge, eg 'Mortgage', 'Charge', 'Debenture' etc.

Date and Description of charge ‡ A Supplemental Debenture dated 11 February 2005

§ The date of registration may be confirmed from the certificate

Date of Registration § 16 February 2005

Name and address of ~~[chargee]~~ [trustee for the debenture holders] Citicorp Trustee Company Limited, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB (the "Borrower Security Trustee")

ø Insert brief details of property

Short particulars of property charged ø See Schedule 1. A list of the defined terms used in this Form 403a is set out at Schedule 2.

And I 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, Leatherhead

Declarant to sign below

	Day	Month	Year
on	12	09	2005

before me

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

Presentor's name, address and reference (if any):

Linklaters
One Silk Street
London
EC2Y 8HQ

A05437550

For official use
Mortgage section | Post room

LD6 0415
COMPANIES HOUSE 16/09/05

Notes

The address for companies registered in England and Wales or Wales is:-

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

SCHEDULE 1 TO FORM 403a

Short particulars of all the property mortgaged or charged:

1 Mortgage

The Chargor charged with full title guarantee in favour of the Borrower Security Trustee (as security 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, by way of first legal mortgage the Supplemental Debenture Property.

2 Assignment by way of security

To the extent not validly and effectively charged by way of first legal mortgage as provided in paragraph 1 above, the Chargor assigned and agreed to assign absolutely with fall title guarantee to the Borrower Security Trustee (as security 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, all of its right, title and interest to, in and under all present and future:

2.1 Agreements, contracts, deeds, licences, undertakings, guarantees, covenants, warranties, representations and other documents entered into by or given to the Chargor in respect of the Supplemental Debenture Property;

2.2 Licences in relation to the Supplemental Debenture Property;

2.3 Rental income and disposal proceeds in each case relating to the Supplemental Debenture Property and the right to make demand for and receive the same;

2.4 All rights arising under the Sale and Purchase Agreement between the Royal National Institute for the Blind (1) and the Chargor (2) dated on or about the date of the Supplemental Debenture relating to the purchase of the Supplemental Debenture Property; and

2.5 Insurance policies relating to the Supplemental Debenture Property and all proceeds paid or payable thereunder.

3 Fixed Security

To the extent not validly and effectively charged by way of first legal mortgage or assignment by way of security as provided in paragraphs 1 and 2 above, the Chargor charged with full title guarantee in favour of the Borrower Security Trustee (as security trustee for the Borrower Secured Creditors and the CapEx Facility Security Creditors), with the payment and discharge of the Secured Obligations, by way of first legal charge, all present and future assets specified in paragraph 2 above.

SCHEDULE 2 TO FORM 403a

Definitions of capitalised words and expressions used in this Form 403a

In this Form 403a, the following defined terms have the meanings set out below:

"**Account Bank**" means The Royal Bank of Scotland plc, acting through its office at 62-63 Threadneedle Street, London EC2R 8LA, in its capacity as account bank;

"**Account Bank and Cash Management Agreement**" means the account bank and cash management agreement dated on or about the Closing Date and made between the Obligors, the Account Bank, the Issuer, the Cash Manager, the Borrower Security Trustee and the Note Trustee;

"**Acquisition Loan**" means a loan drawn under the CapEx Facility applied towards the financing of the acquisition of a property or business (whether by way of asset purchase or share purchase);

"**Acquisition Security Pool**" means any Mortgaged Property which is not part of the Original Security Pool and in respect of which Acquisition Loans and/or Development Loans have been made by the CapEx Facility Provider and are outstanding, but notwithstanding the foregoing including the Mortgaged Property known as Felden Croft Nursing House for so long as a loan under (he CapEx Facility Agreement is outstanding in respect of such Mortgaged Property;

"**Additional Obligor**" means any direct or indirect subsidiary of the Priory Securitisation Group Parent which has become an Additional Obligor in accordance with Clause 6 (*Additional Obligors*) of the Issuer/Borrower Facility Agreement;

"**Borrower Post-Enforcement (Post-Acceleration) Priority of Payments**" means the priority of payments set out in Part 2 of Schedule 6 (*Post-Enforcement Priority of Payments*) to the Subordination and Intercreditor Deed;

"**Borrower Post-Enforcement (Pre-Acceleration) Priority of Payments**" means the priority of payments set out in Part 1 of Schedule 6 (*Post-Enforcement Priority of Payments*) to the Subordination and Intercreditor Deed;

"**Borrower Pre-Enforcement Priority of Payments**" means the priority of payments set out in Schedule 1 (*Operation of the Obligor Accounts - IPD Payment Account*) to the Account Bank and Cash Management Agreement;

"**Borrower Secured Creditors**" means:

(a) the Borrower Security Trustee (for itself and for and on behalf of the other Borrower Secured Creditors);

(b) the Issuer;

(c) the Cash Manager, only for so long as it is not a member of the Priory Group;

(d) the CapEx Facility Provider;

(e) the Working Capital Facility Provider;

(f) the Account Bank;

(g) the Bridge Facility Provider;

(h) any Receiver appointed under the Borrower Debenture; and

(i) any such other creditor who may accede to the Subordination and Intercreditor Deed from time to time in accordance with the terms thereof and is designated as a Borrower Secured Creditor;

"**Borrower Secured Liabilities**" means the aggregate of all obligations, moneys and liabilities (including the unpaid balance of every sum (of principal, interest or otherwise), any liability in respect of any Term Advances, whether present or future, actual or contingent (and whether incurred by an Obligor solely or jointly with one or more Obligors and whether as principal or as 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 Borrower Secured Creditors) or any of the other Borrower Secured Creditors under any Borrower Transaction Document;

"**Borrower Security Documents**" means:

(a) the Borrower Debenture;

(b) the Subordination and Intercreditor Deed;

(c) the Standard Securities;

(d) the Conditional Bond and Security

(e) the Supplemental Debenture;

(f) any power of attorney executed and delivered by the Obligors pursuant to the terms of any Borrower Security Document; and

(g) any other document or instrument granted in favour of the Borrower Security Trustee (on behalf of the Borrower Secured Creditors) creating or evidencing the security for all or any part of the Borrower Secured Liabilities;

"**Borrower Security Trustee**" means Citicorp Trustee Company Limited;

"**Borrower Transaction Documents**" means each or any of:

(a) the Issuer/Borrower Facility Agreement;

(b) the Borrower Debenture;

(c) the Standard Securities;

(d) the Conditional Bond and Security;

(e) the Subordination and Intercreditor Deed;

(f) the Intra-Group Facility Agreement:

(g) the Subordinated Loan Agreement;

(h) the Account Bank and Cash Management Agreement;

(i) the Tax Deed of Covenant;

(j) the Working Capital Facility Agreement;

(k) the CapEx Facility Agreement;

(l) the Bridge Facility Agreement;

(m) the Resale Agreement;

(n) the Subscription Agreement;

(o) the Services Agreement;

(p) the Master Framework Agreement;

(q) the Security over Shares Agreement;

(r) the Trust Agreement;

(s) the Supplemental Debenture; and

(t) any other agreement, instrument or deed designated as such by the Obligors and the Borrower Security Trustee;

"**Borrowers**" means Priory Securitisation Limited (registered number 03982134), Priory Securitisation Holdings Limited (registered number 4793915), Priory Healthcare Limited (registered number 01505382), Priory Education Services Limited (registered number 02838284), Blenheim Healthcare Limited (registered number 03136041), Priory Rehabilitation Services Limited (registered number 03074698), Priory Central Services Limited (registered number 04391278), Farm Place Limited (registered number 02663868), Priory Specialist Health Limited (registered number 03899044) and Farleigh Schools Limited (registered number 03225255), each of which is a private limited company incorporated in England and Wales and each of whose registered office is at Priory House, Randalls Way, Leatherhead, Surrey KT22 7TP and the term "**Borrowers**" shall include any Obligor to which an Additional Term Advance is made;

"**Bridge Facility Agreement**" means the bridge facility agreement dated on or about the Closing Date and made between Priory Securitisation Limited and the Bridge Facility Provider;

"**Bridge Facility Provider**" means The Royal Bank of Scotland plc, acting through its office at 280 Bishopsgate, London EC2M 4RB in its capacity as bridge facility provider;

"**CapEx Facility Agreement**" means the capital expenditure facility agreement dated on or about the Closing Date and made between, *inter alios*, the Obligors, the CapEx Facility Provider and the Borrower Security Trustee;

"**CapEx Facility Provider**" means The Royal Bank of Scotland plc, acting through its office at 280 Bishopsgate, London EC2M 4RB, or such other entity or entities appointed as capital expenditure facility provider from time to time, subject to and in accordance with the terms of the CapEx Facility Agreement;

"**CapEx Facility Secured Creditors**" means the CapEx Facility Provider, the Borrower Security Trustee in respect of the Pro-rated Share of the First Item Attributable to the CapEx Facility and any Receiver appointed by the Borrower Security Trustee in respect of the Extensions Security Pool and the Acquisition Security Pool;

"**CapEx Obligors** " means (i) the Obligors and (ii) certain other companies who have become borrowers from time to time under the CapEx Facility Agreement;

"**Cash Manager**" means Priory Central Services Limited, in its capacity as cash manager for the Obligors and the Issuer, acting through its registered office at Priory House, Randalls Way, Leatherhead, Surrey KT22 7TP, or such other entity or entities appointed as cash manager for the Obligors and the Issuer from time to time, subject to and in accordance with the terms of the Account Bank and Cash Management Agreement;

"**Closing Date**" means 4 September 2003;

"**Conditional Bond and Security**" means the conditional bond and security granted over the Isle of Man Real Property pursuant to Clause 3.4 (*Isle of Man Conditional Bond and Security*) of the Borrower Debenture substantially in the form set out in Schedule 10 (*Form of Conditional Bond and Security*) thereto;

"**Development Loan**" means a loan under the CapEx Facility applied towards the financing of any development or construction, whether or not including fit out, of a building or buildings on sites in which none of the CapEx Obligors have an interest as at the Closing Date;

"**Extension Loan**" means a loan under the CapEx Facility Agreement applied towards the financing of the development or construction of any new building and/or any structural extension or improvement to any existing building, in each case whether or not including fit out and in each case on sites in which a CapEx Obligor has an interest as at the Closing Date;

"**Extensions Security Pool**" means any Mortgaged Property which was part of the Original Security Pool but in respect of which an Extension Loan has been made by the CapEx Facility Provider and is outstanding;

"**Fitch**" means Fitch Ratings Limited or any successor to its rating business;

"**Further Term Facility**" means a further term facility which may be requested by any Obligor at any time by written notice to the Issuer (with a copy thereof to the Borrower Security Trustee) and the Rating Agencies ranking pan passu with the relevant Initial Term Facility pursuant to Clause 2.4 (*Request for an Additional Term Facility*) of the Issuer/Borrower Facility Agreement and is made available to the Obligor by the Issuer in accordance with and subject to Clause 2.5 (*Granting of an Additional Term Facility*) of the Issuer/Borrower Facility Agreement;

"**Initial Term Facility**" means the term facility granted by the Issuer to the Borrowers on the Closing Date pursuant to Clause 2.1 (*Initial Term Facilities*) of the Issuer/Borrower Facility Agreement;

"**Intermediate Parent**" means Priory Group Limited (registered number 04433255) whose registered office is at Priory House, Randalls Way, Leatherhead, Surrey KT22 7TP;

"**Intra-Group Facility Agreement**" means the intra-group facility agreement dated on or about the Closing Date and made between the Obligors;

"**Isle of Man Real Property**" means the real property specified in Part 3 of Schedule 1 (*Details of Real Property*) to the Borrower Debenture and any other real property situated in the Isle of Man title to which is held by an Obligor either on or after the Closing Date (excluding the short term leasehold properties specified in Part 4 of Schedule 1 (*Short Term Leasehold Properties*) to the Borrower Debenture);

"**Issuer**" means Priory Finance Company Limited, a special purpose company with limited liability incorporated in the Cayman Islands with registered number 100676 and whose registered office is at P.O. Box 309, George Town, Grand Cayman, Cayman Islands;

"**Issuer/Borrower Facility Agreement**" means the facility agreement dated on or about the Closing Date and made between the Obligors, the Issuer, the Cash Manager and the Borrower Security Trustee;

"**Issuer Deed of Charge**" means the deed of charge dated on or about the Closing Date and made between, *inter alios*, the Issuer, the Cash Manager, the Account Bank, the Borrower Security Trustee and the Note Trustee and includes any deed or other document expressed to be supplemental thereto or any amendments or modifications made thereto;

"**Issuer Security Documents**" means:

(a) the Issuer Deed of Charge (including any Supplemental Issuer Deed of Charge);

(b) any power of attorney executed and delivered by the Issuer pursuant to the terms of any Issuer Security Document; and

(c) any other document OT instrument granted in favour of the Note Trustee creating or evidencing the security for liabilities of the Issuer;

"**Loan Notes**" means the outstanding unlisted, floating rate, guaranteed, unsecured loan notes due 31 December 2007 issued by Priory Specialist Health Limited pursuant to a loan note instrument dated 31 January 2000 constituting up to £1,654,760 of such loan notes;

"**Master Framework Agreement**" means the master framework agreement dated on or about the Closing Date and made between the Obligors, the Issuer and Borrower Security Trustee;

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

"**Note Trustee**" means Citicorp Trustee Company Limited whose registered office is at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB;

"**Notes**" means the £140,250,000 Class A Secured Fixed/Floating Rate Notes due 2023 of the Issuer constituted by the Trust Agreement, the £74,250,000 Class B Secured Floating Rate Notes due 2027 of the Issuer constituted by the Trust Agreement, the £13,750,000 Class C Secured Floating Rate Notes due 2033 of the Issuer constituted by the Trust Agreement and, as the context may require, includes the Further Class A Notes, the Further Class B Notes and/or the Further Class C Notes and/or any New Notes as such terms are defined in the terms and conditions to the Notes;

"**Obligor Charged Property**" means the property, assets, rights and undertaking of each Obligor tot are the subject of the Security Interests created in or pursuant to the Borrower Security Documents;

"**Obligors**" means the Borrowers, the Chargor, Priory Rehabilitation Services Holdings Limited (registered number 02915765), Priory Services for Young People (IOM) Limited (registered number 101005C), The Nottingham Clinic Limited (registered number 02220967), North Hill House Limited (registered number 03968590), Highbank Private Hospital Limited (registered number 02049088), Jacques Hall Development Limited (registered number 03213815), Jacques Hall Limited (registered number 03213812), Robinson Kay House (Bury) Limited (registered number 02625256), Priory Hospitals Limited (registered number 03189363), Priory Healthcare Services Limited (registered number 02188451), Libra Health Limited {registered number 01355923), Libra Nursing Homes Limited (registered number 01004767), Ticehurst House Private Clinic Limited (registered number 00904127), Priory Healthcare Holdings Limited (registered number 03738107), Priory Specialist Health Division Limited (registered number 03893502) and where the context requires, any Additional Obligor;

"**Original Security Pool**" means any Mortgaged Property in respect of which no funding provided by the CapEx Facility Provider (if any) is outstanding;

"**Priory Group**" means the companies, including the Priory Securitisation Group, which have Priory Healthcare Investments Limited (registered number 04433250) as their ultimate parent company;

"**Priory Securitisation Group Parent**" means Priory Securitisation Holdings Limited (registered number 4793915), whose registered office is at Priory House, Randalls Way, Leatherhead, Surrey KT22 7TP;

"**Pro-rated Share of the First Item Attributable to the CapEx Facility**" means, in the case of any Borrower Priority of Payments, that proportion of the amounts payable by the Obligors under the first item of each Borrower priority of payments which the then outstanding principal amount of the advances made under the CapEx Facility bears to the then outstanding principal amount of the Term Advances under the Issuer/Borrower Facility Agreement;

"**Rating Agencies**" means Fitch and S&P;

"**Receiver**" means any receiver, manager, receiver and manager or administrative receiver who (in the case of an administrative receiver) is a qualified person in accordance with the Insolvency Act 1986 and who is appointed:

(a) by the Borrower Security Trustee under Clause 16 (*Appointment of Receiver or Administrator*) of the Borrower Debenture in respect of the whole or any part of the Obligor Charged Property; or

(b) by the Note Trustee under Clause 18 (*Appointment and Removal of Receiver or Administrator*) of the Issuer Deed of Charge in respect of the whole or any part of the property secured by the Issuer under the Issuer Security Documents;

"**Resale Agreement**" means the agreement governing the sale of certain tranches of the Notes dated on or about the Closing Date and made between the Issuer, the Obligors and the Note Trustee;

"**S&P**" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. or any successor to its rating business;

"**Scottish Mortgaged Property**" means a Scottish Heritable Property over which an Obligor has granted a Standard Security;

"**Scottish Heritable Property**" means:

(a) the leasehold property held by Priory Healthcare Limited and known as 38 Mansionhouse Road, Glasgow registered in the Land Register of Scotland under Title Number GLA 124773;

(b) the heritable property owned by Priory Healthcare Limited known as 40 Mansionhouse Road, Glasgow registered in the Land Register of Scotland under Title Number GLA 108784; and

(c) any other heritable or leasehold property situated in Scotland title to which is held by an Obligor either on or after the Closing Date;

"**Security Interest**" means any mortgage, standard security, pledge, lien, charge, assignment, assignation, hypothecation or security interest or any other agreement or arrangement having the effect of conferring security;

"**Security over Shares Agreement**" means a security over shares agreement dated on or about the Closing Date and made between, *inter alios*, Priory, Priory Healthcare Finance Co Limited, the Intermediate Parent and the Obligors;

"**Services Agreement**" means a services agreement dated on or about the Closing Date and made between the Obligors and Priory Healthcare Investments Limited;

"**Standard Security**" means each standard security in terms of the Conveyancing and Feudal Reform (Scotland) Act 1970 granted over a Scottish Mortgaged Property pursuant to Clause 3.3 (*Scottish Heritable Property*) or Clause 5.9 (*Future Scottish Heritable Property*) of the Borrower Debenture substantially in the form set out in Schedule 9 (*Form of Standard Security*) thereto;

"**Subordinated Loan Agreement**" means the subordinated loan agreement dated on or about the Closing Date and made between Priory Rehabilitation Services Limited, Priory Education Services Limited and Blenheim Healthcare Limited and the Intermediate Parent;

"**Subordination and Intercreditor Deed**" means the subordination and intercreditor deed dated on or about the Closing Date and made between, *inter alios*, the Obligors, the Borrower Security Trustee and the Note Trustee;

"**Subscription Agreement**" means the subscription agreement in relation to the Notes dated on or before the Closing Date and made between the Issuer, the Obligors and the Managers;

"**Supplemental Debenture Property**" means the freehold land and building know as Okus House, 105 Bath Road, Swindon, SN1 4AX as the same is registered at HM Land Registry with title absolute under title number WT80077.

"**Supplemental Issuer Deed of Charge**" means any assignation in security made in favour of the Note Trustee pursuant to Clause 4.3 (*Standard Security*) of the Issuer Deed of Charge substantially in the form set out in Schedule 4 (*Form of Supplemental Issuer Deed of Charge*) thereto or any other deed which is expressed to be supplemental to the Issuer Deed of Charge;

"**Tax Deed of Covenant**" means a deed of covenant dated on or about the Closing Date and made between, *inter alios*, Priory Healthcare Investments Limited (registered number 04433250), the Obligors, the Issuer, the Intermediate Parent, the Note Trustee and the Borrower Security Trustee as such may be amended or supplemented from time to time pursuant to the Tax Deed of Covenant and the Issuer/Borrower Facility Agreement;

"**Term Advance**" means an advance under the Initial Term Facility, a Further Term Facility and/or an advance made under a New Term Facility;

"**Trust Agreement**" means a trust agreement dated on or about the Closing Date and made between the Priory Securitisation Group Parent, the other Obligors, the Borrower Security Trustee, Priory Healthcare Investments Limited, the Intermediate Parent and Priory Healthcare Finance Co Limited;

"**Working Capital Facility**" means the committed sterling revolving working capital facility made available under the Working Capital Facility Agreement as described in Clause 2 of the Working Capital Facility Agreement (The Working Capital Facility);

"**Working Capital Facility Agreement**" means the working capital facility agreement dated on or about the Closing Date and made between the Obligors, the Working Capital Facility Provider, the Account Bank and the Borrower Security Trustee; and

"**Working Capital Facility Provider**" means:

(a) The Royal Bank of Scotland plc, acting through its office at 280 Bishopsgate, London EC2M 4RB; and

(b) any bank or other financial institution which has become a party to the Working Capital Facility Agreement in accordance with Clause 26 (*Assignment*) of the Working Capital Facility Agreement,

which, in each case, has not ceased to be a party to the Working Capital Facility Agreement in accordance with its terms.