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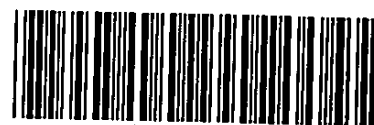
**Priory New Investments No. 2 Limited**

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**Directors' report and financial statements**

**For the period from 11 December 2009 (date of incorporation) to 31 December 2010**

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## **Priory New Investments No. 2 Limited**

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## **Priory New Investments No. 2 Limited**

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### **Directors' report For the period ended 31 December 2010**

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The directors present their report and the audited financial statements for the period from 11 December 2009 (date of incorporation) to 31 December 2010. These are the company's first financial statements.

#### **Principal activities and business review**

The principal activity of the company is to act as a holding company.

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

#### **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 Investment 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 period, after taxation, amounted to £NIL.

The directors do not recommend the payment of a dividend.

#### **Directors**

The directors who served during the period were:

M Franzidis (appointed 11 December 2009)  
D Hall (appointed 11 December 2009)  
J Lock (appointed 11 December 2009)  
P Scott (appointed 11 December 2009)

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## **Priory New Investments No. 2 Limited**

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### **Directors' report For the period ended 31 December 2010**

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#### **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 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 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

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**Priory New Investments No. 2 Limited**

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**Directors' report**  
**For the period ended 31 December 2010**

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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

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## Priory New Investments No. 2 Limited

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### Independent auditors' report to the members of Priory New Investments No. 2 Limited

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We have audited the financial statements of Priory New Investments No 2 Limited for the period 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 result for the period 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

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## Priory New Investments No. 2 Limited

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### Profit and loss account

For the period from 11 December 2009 to 31 December 2010

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		Period from 11 December 2009 to 31 December 2010 £000
	Note	
Interest receivable and similar income	4	2,151
Interest payable and similar charges	5	(2,151)
		<hr/>
<b>Profit on ordinary activities before taxation</b>		-
Tax on profit on ordinary activities		-
		<hr/>
<b>Retained profit carried forward</b>		-
		<hr/> <hr/>

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 period 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

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**Priory New Investments No. 2 Limited**  
**Registered number: 7102440**

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**Balance sheet**  
**As at 31 December 2010**

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	Note	£000	2010 £000
<b>Fixed assets</b>			
Fixed asset investments	6		-
<b>Current assets</b>			
Debtors	7		<b>38,809</b>
<b>Total assets less current liabilities</b>			<b>38,809</b>
<b>Creditors: amounts falling due after more than one year</b>	8		<b>(38,809)</b>
<b>Net assets</b>			<b>-</b>
<b>Capital and reserves</b>			
Called up share capital	9		-
<b>Shareholders' funds</b>	10		<b>-</b>

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 10 form part of these financial statements



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## **Priory New Investments No. 2 Limited**

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### **Notes to the financial statements For the period ended 31 December 2010**

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#### **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 held at cost less provision for impairment.

##### **1.3 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 "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. Operating profit**

The remuneration of the auditors in the period was borne by another group undertaking.

#### **3. Staff costs**

The company has no employees other than the directors, who did not receive any remuneration.

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## Priory New Investments No. 2 Limited

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### Notes to the financial statements For the period ended 31 December 2010

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#### 4. Interest receivable and similar income

	Period from 11 December 2009 to 31 December 2010 £000
Interest receivable from group companies	2,151

#### 5. Interest payable and similar charges

	Period from 11 December 2009 to 31 December 2010 £000
On loans from group undertakings	2,151

#### 6. Fixed asset investments

##### Subsidiary undertakings

The following were the principal subsidiary undertakings of the company

Name	Class of shares	Holding
Priory New Investments No 3 Limited *	Ordinary	100 %
Cheadle Royal Healthcare Limited	Ordinary	100 %
Middleton St George Healthcare Limited	Ordinary	100 %
Priory New Education Services Limited	Ordinary	100 %
EJ & JC Arrowsmith Limited	Ordinary	100 %

\* interest held directly by the company

Priory New Investments No 3 Limited is a holding company and is registered in England and Wales. Cheadle Royal Healthcare Limited and Middleton St George Healthcare Limited are engaged in the provision of private healthcare services and are registered in England and Wales. Priory New Education Services Limited is engaged in the provision of specialist education services and is registered in England and Wales. EJ & JC Arrowsmith Limited is engaged in the provision of specialist education services and is registered in Scotland.

A full list of subsidiaries can be obtained by writing to the Company Secretary at Priory House, Randalls Way, Leatherhead, Surrey KT22 7TP.

The cost and net book value of the investment in Priory New Investments No 3 Limited was £1. The directors consider that the carrying value of the investment is supported by its underlying net assets.

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## Priory New Investments No. 2 Limited

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### Notes to the financial statements For the period ended 31 December 2010

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#### 7. Debtors

	<b>2010</b>
	<b>£000</b>
<b>Due after more than one year</b>	
Amounts owed by group undertakings	<b>38,809</b>

Amounts due from group undertakings due after more than one year are unsecured and bear interest at 7% per annum and are due for repayment on 31 December 2015

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

	<b>2010</b>
	<b>£000</b>
Amounts owed to group undertakings	<b>38,809</b>

Amounts due to group undertakings are unsecured, bear interest at 7% per annum and are due for repayment on 31 December 2015

#### 9. Share capital

	<b>2010</b>
	<b>£</b>
<b>Allotted, called up and fully paid</b>	
1 ordinary share of £1	<b>1</b>

During the period, the company issued 1 ordinary share of £1 for a consideration of £1

#### 10. Reconciliation of movement in shareholders' funds

	<b>2010</b>
	<b>£000</b>
Shareholders' funds at 11 December 2009 and 31 December 2010	<b>-</b>

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## **Priory New Investments No. 2 Limited**

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### **Notes to the financial statements For the period ended 31 December 2010**

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#### **11. Ultimate parent undertaking and controlling party**

The company's immediate parent company, which is incorporated in England, is Priory New Investments 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.