

Registered number: 6866823

Priory (Stoke 1) Limited

**Directors' report and financial statements
for the year ended 31 December 2010**

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Priory (Stoke 1) Limited

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Priory (Stoke 1) 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 the management of facilities providing residential and nursing care for elderly people

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

On 5 May 2010, the company disposed of its legal and beneficial interest in a 999 year lease in respect of the property from which the company's trade operated to a third party. The company recorded a loss on disposal of £412,000. On 29 April 2010 the trade and assets of the company were transferred to another entity within the Priory Group, Priory Elderly Care Limited. The effective date of the transfer was 31 March 2010.

Results and dividends

The loss for the year, after taxation, amounted to £480,000 (2009 - loss £160,000)

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

Directors

The directors who served during the year were

P Scott
D Hall
J Lock

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.

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.

Priory (Stoke 1) Limited

**Directors' report
for the year ended 31 December 2010**

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 twelve months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on the going concern basis.

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 information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

Auditors

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

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

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

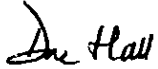
- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 (Stoke 1) Limited

**Directors' report
for the year ended 31 December 2010**

This report was approved by the board on 31 August 2011 and signed on its behalf



D Hall
Secretary
21 Exhibition House
Addison Bridge Place
London
W14 8XP

Priory (Stoke 1) Limited

Independent auditors' report to the members of Priory (Stoke 1) Limited

We have audited the financial statements of Priory (Stoke 1) 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 loss 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.

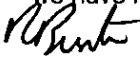
Opinion on other matter prescribed by the Companies Act 2006

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

Newcastle upon Tyne

31 August 2011

Priory (Stoke 1) Limited

**Profit and loss account
for the year ended 31 December 2010**

	Note	Year ended 31 December 2010 £000	1 April 2009 to 31 December 2009 £000
Turnover	2	192	402
Cost of sales		<u>(271)</u>	<u>(603)</u>
Gross loss		(79)	(201)
Administrative expenses		<u>(5)</u>	<u>-</u>
Operating loss on ordinary activities	3	(84)	(201)
Exceptional items			
Net loss on sale of tangible fixed assets	5	<u>(412)</u>	<u>-</u>
Loss on ordinary activities before taxation		(496)	(201)
Tax on loss on ordinary activities	6	<u>16</u>	<u>41</u>
Loss for the financial year	13	<u><u>(480)</u></u>	<u><u>(160)</u></u>

All results derive from discontinued operations

There is no material difference between the loss on ordinary activities before taxation and the retained loss 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

Priory (Stoke 1) Limited
Registered number: 6866823

Balance sheet
as at 31 December 2010

	Note	£000	2010 £000	£000	2009 £000
Fixed assets					
Tangible assets	7		-		6,494
Investments	8		-		-
			<u>-</u>		<u>6,494</u>
Current assets					
Debtors	9	-		155	
Cash at bank		-		31	
		<u>-</u>		<u>186</u>	
Creditors' amounts falling due within one year	10	(640)		(6,806)	
Net current liabilities			<u>(640)</u>		<u>(6,620)</u>
Total assets less current liabilities			<u>(640)</u>		<u>(126)</u>
Provisions for liabilities					
Deferred tax	11		-		(34)
Net liabilities			<u>(640)</u>		<u>(160)</u>
Capital and reserves					
Called up share capital	12		-		-
Profit and loss account	13		(640)		(160)
Total shareholders' deficit	14		<u>(640)</u>		<u>(160)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 31 August 2011



J Lock
Director

The notes on pages 7 to 14 form part of these financial statements

Priory (Stoke 1) Limited

**Notes to the financial statements
for the year ended 31 December 2010**

1. Accounting policies

1.1 Basis of preparation of financial statements

These financial statements are 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 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 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 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 Turnover

Turnover comprises revenue recognised by the Company in respect of services provided to customers, exclusive of Value Added Tax and trade discounts. Turnover is recognised as the services are provided. Turnover invoiced in advance is included in deferred income until service is provided. Turnover in respect of services provided but not yet invoiced by the period end is included within accrued income.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost of those assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	50 years
Motor vehicles	-	over the shorter of the lease and 4 years
Fixtures & fittings	-	3 to 16 years

1.4 Investments

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

Priory (Stoke 1) Limited

**Notes to the financial statements
for the year ended 31 December 2010**

1. Accounting policies (continued)

1.5 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are discounted

2. Turnover

The Company's turnover, profit on ordinary activities before taxation and net liabilities arise primarily from its principal activity of the management of facilities providing residential and nursing care for elderly people in the United Kingdom

All turnover arose within the United Kingdom

3 Operating loss on ordinary activities

The operating loss on ordinary activities is stated after charging

	Year ended 31 December 2010 £000	1 April 2009 to 31 December 2009 £000
Depreciation of tangible fixed assets		
- owned by the company	67	71
- held under finance leases	1	-
Operating exceptional items	5	-
	<hr/> <hr/>	<hr/> <hr/>

During the year, no director received any emoluments (2009 - £NIL)

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

Priory (Stoke 1) Limited

**Notes to the financial statements
for the year ended 31 December 2010**

4. Staff costs

The company did not have any employees during the period. Costs associated with 15 staff (2009 17 staff) providing services for the company in the period were recharged from another group undertaking.

Staff costs were as follows

	Year ended 31 December 2010 £000	1 April 2009 to 31 December 2009 £000
Wages and salaries	166	184
Social security costs	12	13
	<u>178</u>	<u>197</u>

The average monthly number of employees, including the directors, during the year was as follows

Year ended 31 December 2010 No.	1 April 2009 to 31 December 2009 No.
<u>0</u>	<u>0</u>

5. Exceptional items

	Year ended 31 December 2010 £000	1 April 2009 to 31 December 2009 £000
Loss on disposal of fixed assets	412	-
Restructuring and rationalisation costs	5	-
	<u>417</u>	<u>-</u>

Priory (Stoke 1) Limited

**Notes to the financial statements
for the year ended 31 December 2010**

6. Taxation

	Year ended 31 December 2010 £000	1 April 2009 to 31 December 2009 £000
Analysis of tax charge/(credit) in the year/period		
Current tax (see note below)		
UK corporation tax credit on loss for the year/period	(17)	(75)
Adjustments in respect of prior periods	36	-
Total current tax	19	(75)
Deferred tax		
Deferred tax arising in the year	4	34
Deferred tax adjustment in respect of prior years	(39)	-
Total deferred tax (see note 11)	(35)	34
Tax on loss on ordinary activities	(16)	(41)

Factors affecting tax charge for the year/period

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

	Year ended 31 December 2010 £000	1 April 2009 to 31 December 2009 £000
Loss on ordinary activities before tax	(496)	(201)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 - 28%)	(139)	(56)
Effects of		
Capital allowances for year/period in excess of depreciation	(4)	-
Adjustment to tax charge in respect of property and trade disposal	127	15
Adjustments to tax charge in respect of prior periods	35	-
Other timing differences leading to a decrease (increase) in taxation	-	(34)
Current tax charge/(credit) for the year/period (see note above)	19	(75)

Priory (Stoke 1) Limited

**Notes to the financial statements
for the year ended 31 December 2010**

6. Taxation (continued)

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 further reduction to 25% from 1 April 2012 was substantively enacted on 5 July 2011. Future finance bills are expected to introduce additional reductions to 23%. It is currently expected that each future Finance Bill enacted will reduce the corporation tax rate by 1% until a final rate of 23% is reached by 2014/5. These rate reductions will be reflected in the deferred tax calculations when the Finance Bills are substantively enacted at the balance sheet date.

The current tax charge of £19,000 (2009 £75,000 credit) in the period is to be surrendered to other group companies in exchange for payment of the same amount.

7. Tangible fixed assets

	Freehold property £000	Assets in the course of construction £000	Fixtures & fittings £000	Motor vehicles £000	Total £000
Cost					
At 1 January 2010	6,112	12	441	-	6,565
Additions	-	-	18	33	51
Transfers intra group	-	(29)	-	-	(29)
Disposals	(6,112)	17	(488)	(33)	(6,616)
Transfer between classes	-	-	29	-	29
At 31 December 2010	-	-	-	-	-
Depreciation					
At 1 January 2010	51	-	20	-	71
Charge for the year	51	-	16	1	68
On disposals	(102)	-	(36)	(1)	(139)
At 31 December 2010	-	-	-	-	-
Net book value					
At 31 December 2010	-	-	-	-	-
At 31 December 2009	6,061	12	421	-	6,494

8. Fixed asset investments

Priory (Stoke 1) Limited

**Notes to the financial statements
for the year ended 31 December 2010**

Subsidiary undertakings

The following were subsidiary undertakings of the company

Name	Class of shares	Holding
Priory (Stoke 2) Limited	Ordinary	100%
Priory (Stoke 3) Limited	Ordinary	100%

Shares in group undertakings

	2010	2009
	£	£
Cost and net book value	<u><u>2</u></u>	<u><u>2</u></u>

The directors consider the carrying value of the investments to be supported by their net assets

9. Debtors

	2010	2009
	£000	£000
Trade debtors	-	63
Amounts owed by group undertakings	-	13
Other debtors	-	1
Prepayments and accrued income	-	3
Group relief recoverable	-	75
	<u><u>-</u></u>	<u><u>155</u></u>

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

**10. Creditors:
Amounts falling due within one year**

	2010	2009
	£000	£000
Trade creditors	-	4
Amounts owed to group undertakings	621	6,665
Corporation tax	19	-
Other creditors	-	8
Accruals and deferred income	-	129
	<u><u>640</u></u>	<u><u>6,806</u></u>

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

Priory (Stoke 1) Limited

**Notes to the financial statements
for the year ended 31 December 2010**

11 Deferred taxation

	2010	2009
	£000	£000
At beginning of year/period	34	-
Arising in the year/period	(34)	34
	-	34
At end of year/period	-	34

The provision for deferred taxation is made up as follows

	2010	2009
	£000	£000
Accelerated tax depreciation	-	34
	-	34
	-	34

12. Share capital

	2010	2009
	£	£
Authorised		
1,000 Ordinary shares shares of £1 each	1,000	1,000
	1,000	1,000
Allotted, called up and fully paid		
1 Ordinary shares share of £1	1	1
	1	1
	1	1

13. Reserves

	Profit and loss account £000
At 1 January 2010	(160)
Loss for the year	(480)
	(640)
At 31 December 2010	(640)

14. Reconciliation of movement in shareholders' deficit

	2010	2009
	£000	£000
Opening shareholders' deficit	(160)	-
Loss for the year/period	(480)	(160)
	(640)	(160)
Closing shareholders' deficit	(640)	(160)

Priory (Stoke 1) Limited

**Notes to the financial statements
for the year ended 31 December 2010**

15. Ultimate parent undertaking and controlling party

The company's immediate parent company, which is incorporated in the United Kingdom, is Priory Elderly Care 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 21 Exhibition House, Addison Bridge Place, London, W14 8XP. 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 Priory Group No 3 plc, a subsidiary of Priory Group Limited. As a result of the transaction, the company's ultimate parent company from 4 March 2011 onwards is Priory Group Limited (incorporated in England). Priory Group 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.