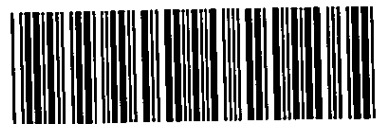


Priory (Stoke 1) Limited
Annual report and financial statements
for the year ended 31 December 2011

Registered number. 6866823

SATURDAY



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Priory (Stoke 1) Limited
Annual report and financial statements
for the year ended 31 December 2011
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Priory (Stoke 1) Limited

Directors' report for the year ended 31 December 2011

The directors present their report and the audited financial statements of the company for the year ended 31 December 2011

Principal activities

The principal activity of the company is to act as an investment holding company, in 2010 the company's trading activity was transferred to another legal entity within the Priory Group

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

Further information regarding the operations and key performance indicators of the group are set out in the Directors' report of Priory Group No 1 Limited

The company's management is committed to a continued growth strategy

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 Group No 1 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 the group and not managed separately. Accordingly, the financial risk management policies of Priory Group No 1 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 Group No 1 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 Group No 1 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

Dividends

The directors do not recommend the payment of a dividend (2010 £nil)

Priory (Stoke 1) Limited

Directors

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

P Scott
J Lock
D Hall

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

Independent auditors

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

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

Statement of directors' responsibilities

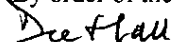
The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared 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

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



David Hall

Company Secretary

6 September 2012

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 2011 which comprise the Profit and loss account, the Balance sheet, the Statement of accounting policies 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. In addition, we read all the financial and non-financial information in the Annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 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.

Priory (Stoke 1) Limited

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 September 2012

Priory (Stoke 1) Limited

Profit and loss account for the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Turnover	1	-	192
Cost of sales		(2)	(271)
Gross loss		(2)	(79)
Administrative expenses (including operating exceptional costs of £nil 2010 £5,000)	2	-	(5)
Operating loss		(2)	(84)
Loss on disposal of fixed assets	2	-	(412)
Loss on ordinary activities before taxation	1,2	(2)	(496)
Tax on loss on ordinary activities	5	29	16
Profit/(loss) for the financial year	10	27	(480)

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

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

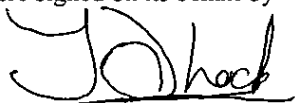
There is no difference between the loss on ordinary activities before taxation and the profit/(loss) for the financial year stated above and their historical cost equivalents

Priory (Stoke 1) Limited

Balance sheet as at 31 December 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Investments	6	-	-
Current assets			
Debtors	7	29	-
Creditors amounts falling due within one year	8	(642)	(640)
Net current liabilities		(613)	(640)
Total assets less current liabilities		(613)	(640)
Net liabilities		(613)	(640)
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account	10	(613)	(640)
Total shareholders' deficit	11	(613)	(640)

The financial statements on pages 5 to 12 were approved by the board of directors on 6 September 2012 and were signed on its behalf by



Jason Lock
Director

Registered number 6866823

Priory (Stoke 1) Limited

Statement of 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 Group No 1 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 400 of the Companies Act 2006 from the requirement to prepare group financial statements 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 'Cash flow statements' (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 publicly available consolidated financial statements

As the company is a wholly owned subsidiary of Priory Group No 1 Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 'Related party disclosures' 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

Deferred taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured in a non-discounted basis

Priory (Stoke 1) Limited

Notes to the financial statements for the year ended 31 December 2011

1 Turnover and loss on ordinary activities before taxation

The company's turnover, loss on ordinary activities before taxation and net liabilities arose primarily from its former principal activity of the management of facilities providing residential and nursing care for elderly people. However, in 2010 the trading activity for this company transferred to another Priory group company.

All turnover and loss on ordinary activities before taxation arose within the United Kingdom and from one class of business.

2 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging

	2011	2010
	£'000	£'000
Depreciation and other amounts written off tangible assets		
Owned	-	67
Leased	-	1
Loss on disposal of fixed assets	-	412
Operating exceptional items		
Re-organisation and rationalisation costs	-	5

The re-organisation and rationalisation costs of £5,000 incurred in the prior year primarily relate to employee redundancy payments made as the company re-organised and streamlined its operations.

The remuneration of the auditors of £500 (2010: £500) was borne by another group undertaking.

3 Remuneration of directors

The costs relating to the directors' services have been borne by Priory Central Services Limited, a fellow group company. No amounts have been recharged to the company in respect of the directors' services and the directors do not believe that it is practical to allocate these costs between group companies.

Priory (Stoke 1) Limited

4 Staff numbers and costs

The company did not have any employees during the year. Costs associated with the 15 staff members providing services for the company in the prior year were recharged from group undertakings.

The aggregate payroll costs of these persons were as follows:

	2011	2010
	£'000	£'000
Wages and salaries	-	166
Social security costs	-	12
	-	178

5 Tax on loss on ordinary activities

	2011	2010
	£'000	£'000
UK corporation tax		
Current tax charge/(credit) arising in the year	-	(17)
Adjustment in respect of prior years	(29)	36
Total current tax	(29)	19
Deferred tax charge arising in the year	-	4
Deferred tax adjustment in respect of prior years	-	(39)
Total deferred tax	-	(35)
Total tax credit	(29)	(16)

The current tax credit of £29,000 (2010 charge £19,000) has been relieved by the surrender of losses by other group companies in exchange for payment of the same amount.

Priory (Stoke 1) Limited

5 Tax on loss on ordinary activities (continued)

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 26.49% (2010 28%)
The actual tax charge for the year is lower (2010 higher) than the standard rate for the reasons set out in the following reconciliation

	2011	2010
	£'000	£'000
Loss on ordinary activities before tax	(2)	(496)
Tax on loss on ordinary activities at standard rate	-	(139)
Factors affecting charge for the year		
Depreciation in excess of capital allowances	-	(5)
Adjustment to tax charge in respect of property and trade disposal	-	127
Adjustment to tax charge in respect of prior periods	(29)	36
Total current tax (credit)/charge for the year	(29)	19

The standard rate of corporation tax in the UK changed from 28% to 26% with effect from 1 April 2011. A further reduction in this corporation tax rate effective on 1 April 2012 from 26% to 25% was substantively enacted for the purposes of FRS 19 on 5 July 2011. Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 26.49% and deferred taxation has been calculated based on a rate of 25%.

In addition to the changes in rates of corporation tax disclosed above a number of further changes to the UK corporation tax system were announced in the March 2012 UK Budget Statement. Changes to the corporation tax rate on 1 April 2012, substantively enacted for the purposes of FRS 19 on 26 March 2012, will reduce to 24%, a 1% reduction from the rate substantively enacted on 5 July 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 22% by 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The proposed reductions of the main rate of corporation tax by 1% per year to 22% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 25% to 22%, if these applied to the deferred tax balance at the balance sheet date, would be immaterial.

Priory (Stoke 1) Limited

6 Investments

	Shares in group undertakings
	£
Cost and net book value	
At 1 January 2011 and 31 December 2011	2

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

Subsidiary undertaking	Principal activities	Country of incorporation	Class and percentage of shares held
Priory (Stoke 2) Limited	Investment holding company	United Kingdom	100% ordinary
Priory (Stoke 3) Limited	Trustee company	United Kingdom	100% ordinary

The directors consider that the carrying value of the investment is supported by its underlying net assets

7 Debtors

	2011	2010
	£'000	£'000
Group relief recoverable	29	-

8 Creditors: amounts falling due within one year

	2011	2010
	£'000	£'000
Amounts owed to group undertakings	642	621
Corporation tax	-	19
	642	640

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

Priory (Stoke 1) Limited

9 Called up share capital

	2011	2010
	£	£
Authorised		
1,000 (2010 1,000) ordinary shares of £1 each	1,000	1,000
Allotted, called-up and fully paid		
1 (2010 1) ordinary shares of £1 each	1	1

10 Profit and loss account

	£'000
At 1 January 2011	(640)
Profit for the financial year	27
At 31 December 2011	(613)

11 Reconciliation of movements in shareholders' deficit

	2011	2010
	£'000	£'000
Profit/(loss) for the financial year	27	(480)
Net addition to shareholders' deficit	27	(480)
Opening shareholders' deficit	(640)	(160)
Closing shareholders' deficit	(613)	(640)

12 Ultimate parent company and controlling party

The company's immediate parent company, which is incorporated in the United Kingdom, is Priory Elderly Care Holdings Limited

The ultimate parent undertaking and controlling party is Priory Group No 1 Limited, a company incorporated in England. Priory Group No 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.

Priory Group No 1 Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2011. Priory Group No 3 PLC is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2011. The consolidated financial statements of Priory Group No 1 Limited and Priory Group No 3 PLC can be obtained from the Company Secretary at 21 Exhibition House, Addison Bridge Place, London, W14 8XP.