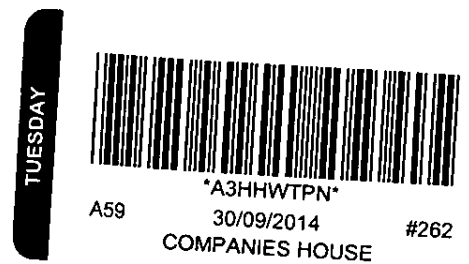


Priory Group Limited
Annual report and financial statements
for the year ended 31 December 2013

Registered number. 4433255



Priory Group Limited
Annual report and financial statements
for the year ended 31 December 2013
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Priory Group Limited

Strategic report for the year ended 31 December 2013

The directors present their strategic report on Priory Group Limited for the year ended 31 December 2013

Principal activities and review of business

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

The results for the year are set out in the profit and loss account on page 6 and the position of the company as at the year end is set out in the balance sheet on page 7

Future developments

The future developments of the company are aligned to the strategy of the Priory Group, headed by Priory Group No 1 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

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, are 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

By order of the board



David Hall

Company Secretary

19 September 2014

Priory Group Limited

Directors' report for the year ended 31 December 2013

The directors present their report and the audited financial statements of the company for the year ended 31 December 2013

Dividends

The directors do not recommend the payment of a dividend (2012 £nil)

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

D Hall

J Lock

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

Future developments

The future developments of the company are discussed in the strategic report

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

Priory Group Limited

Directors' report for the year ended 31 December 2013 (continued)

Statement of directors' responsibilities

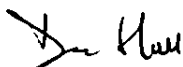
The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations

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, 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.

By order of the board



David Hall
Company Secretary
19 September 2014

80 Hammersmith Road
London
England
W14 8UD

Priory Group Limited

Independent auditors' report to the members of Priory Group Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below

- give a true and fair view of the state of the company's affairs as at 31 December 2013 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

This opinion is to be read in the context of what we say in the remainder of this report

What we have audited

The financial statements, which are prepared by Priory Group Limited, comprise

- the balance sheet as at 31 December 2013,
- the profit and loss account for the year then ended,
- the statement of accounting policies, and
- the notes to the financial statements, which include other explanatory information

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)

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Priory Group Limited

Independent auditors' report to the members of Priory Group Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion

- we have not received all the information and explanations we require for our audit, or
- 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

We have no exceptions to report arising from this responsibility

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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 and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & 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



Tom Yeates (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
19 September 2014

Priory Group Limited

Profit and loss account for the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Interest receivable and similar income	3	303	348
Interest payable and similar charges	4	(2,304)	(2,639)
Loss on ordinary activities before taxation	1	(2,001)	(2,291)
Tax on loss on ordinary activities	5	(229)	(1,043)
Loss for the financial year	11	(2,230)	(3,334)

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 loss above, therefore no statement of total recognised gains and losses is presented

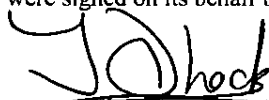
There is no difference between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents

Priory Group Limited

Balance sheet as at 31 December 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Investments	6	103,018	103,018
Current assets			
Debtors	7	43,008	45,545
		43,008	45,545
Creditors amounts falling due within one year	8	-	(307)
Net current assets		43,008	45,238
Total assets less current liabilities		146,026	148,256
Creditors amounts falling due after more than one year	9	(70,599)	(70,599)
Net assets		75,427	77,657
Capital and reserves			
Called up share capital	10	250	250
Share premium account	11	250	250
Profit and loss account	11	74,927	77,157
Total shareholders' funds	12	75,427	77,657

The financial statements on pages 6 to 14 were approved by the board of directors on 19 September 2014 and were signed on its behalf by



Jason Lock
Director

Registered number 4433255

Priory Group 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 on the going concern basis in accordance with applicable UK accounting standards, the Companies Act 2006 and under the historical cost accounting rules

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

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 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.

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 the change.

Priory Group Limited

Notes to the financial statements for the year ended 31 December 2013

1 Loss on ordinary activities before taxation

The remuneration of the auditors of £500 (2012 £500) was borne by another group undertaking

2 Directors' remuneration

The costs relating to 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.

The company has no employees other than the directors.

3 Interest receivable and similar income

	2013	2012
	£'000	£'000
Interest receivable from group companies	303	348

4 Interest payable and similar charges

	2013	2012
	£'000	£'000
On loans from group undertakings	2,304	2,639

5 Tax on profit on ordinary activities

	2013	2012
	£'000	£'000
UK corporation tax		
Current tax charge arising in the year	-	307
Deferred tax		
Effect of tax rate change on opening balances	353	276
Origination and reversal of timing differences	(124)	460
Total deferred tax	229	736
Total tax charge	229	1,043

Priory Group Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

5 Tax on profit on ordinary activities (continued)

The current tax charge of £nil (2012 £307,000) on the loss for the year has been relieved by the surrender of losses 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 23.25% (2012 24.49%). The actual tax charge for the year is higher than (2012 higher than) the standard rate for the reasons set out in the following reconciliation:

	2013	2012
	£'000	£'000
Loss on ordinary activities before taxation	(2,001)	(2,291)
Tax on loss on ordinary activities at standard rate	(465)	(561)
Factors affecting charge for the year		
Transfer pricing and other adjustments	465	868
Total current tax for the year	-	307

The standard rate of corporation tax in the UK changed from 24% to 23% with effect from 1 April 2013. Accordingly, the company's losses for this accounting year are taxed at an effective rate of 23.25% (2012 24.49%).

In his budget speech on 20 March 2013, the Chancellor announced that the main rate of corporation tax would change from 23% to 21% from 1 April 2014 and from 21% to 20% from 1 April 2015. This change was substantively enacted in July 2013, as such the company's deferred tax balances have been restated to reflect their expected unwind at 20% rather than the main rate of 23%.

Priory Group Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

6 Investments

	Investments in subsidiary companies £'000
Cost or valuation	
At 1 January 2013 and 31 December 2013	103,018
Impairment	
At 1 January 2013 and 31 December 2013	-
Net book value	
At 31 December 2012 and 31 December 2013	103,018

Subsidiary undertakings

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

Subsidiary undertaking	Principal activity	Country of incorporation	Class and percentage of shares held
Priory Securitisation Holdings Limited	Non-trading	United Kingdom	100% ordinary
Priory Behavioural Health Limited	Non-trading	United Kingdom	100% ordinary
Employee Management Services Limited	Non-trading	United Kingdom	100% ordinary
Care Continuums Limited	Non-trading	United Kingdom	100% ordinary
Sturt House Clinic Limited	Non-trading	United Kingdom	100% ordinary
Community Addiction Services Limited	Non-trading	United Kingdom	100% ordinary
Public Health Solutions Limited	Non-trading	United Kingdom	100% ordinary
Priory Healthcare Europe Limited	Non-trading	United Kingdom	100% ordinary
Fanplate Limited	Non-trading	United Kingdom	100% ordinary

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

Priory Group Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

7 Debtors

	2013	2012
	£'000	£'000
Due after more than one year		
Amounts owed by group undertakings	9,299	9,299
Due within one year		
Amounts owed by group undertakings	31,230	33,538
Deferred tax asset	2,479	2,708
	33,709	36,246
	43,008	45,545

Amounts owed by group undertakings due within one year are unsecured, non-interest bearing and repayable on demand. Amounts owed by group undertakings due after more than one year are unsecured and bear interest at LIBOR plus 2.25% per annum.

An analysis of deferred tax assets, included within debtors, is as follows

	£'000
Deferred tax	
At 1 January 2013	2,708
Recognised in the year	(229)
At 31 December 2013	2,479

The deferred tax is made up as follows

	2013	2012
	£'000	£'000
Tax losses carried forward	2,479	2,708

A deferred tax asset has been recognised in respect of tax losses carried forward based on an assessment of the probability that future capital gains will arise in the foreseeable future in the Priory Group which can be offset against these losses.

Priory Group Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

8 Creditors: amounts falling due within one year

	2013	2012
	£'000	£'000
Group relief payable	-	307

9 Creditors: amounts falling due after more than one year

	2013	2012
	£'000	£'000
Amounts owed to group undertakings	70,599	70,599

Amounts owed to group undertaking are unsecured and bear interest at LIBOR plus 2.25% per annum

10 Called up share capital

	2013	2012
	£	£
Allotted, called-up and fully paid		
500,000 (2012: 500,000) ordinary shares of £0.50 each	250,000	250,000

11 Reserves

	Share premium account	Profit and loss account
	£'000	£'000
At 1 January 2013	250	77,157
Loss for the financial year	-	(2,230)
At 31 December 2013	250	74,927

Priory Group Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

12 Reconciliation of movements in shareholders' funds

	2013	2012
	£'000	£'000
Loss for the financial year	(2,230)	(3,334)
Net reduction to shareholders' funds	(2,230)	(3,334)
Opening shareholders' funds	77,657	80,991
Closing shareholders' funds	75,427	77,657

13 Ultimate parent company and controlling party

The company's immediate parent company, which is incorporated in England, is Priory Healthcare Finance Co 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 2013. Priory Group No 3 PLC is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2013. The consolidated financial statements of Priory Group No 1 Limited and Priory Group No 3 PLC can be obtained from the Company Secretary at 80 Hammersmith Road, London, W14 8UD