

ZR Builders (Derby) Limited

Directors' report and financial statements

Year ended 31 December 2006

Registered number 2255001

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Contents

Directors' report	1
Statement of directors' responsibilities	3
Independent auditors' report to the members of ZR Builders (Derby) Limited	4
Profit and loss account	5
Balance sheet	6
Statement of total recognised gains and losses	7
Note of historical cost profits and losses	7
Reconciliation of movements in shareholders' funds	7
Notes	8

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

Principal activities

The company's principal activity is that of builders, property developers and property rental

Business review

The results for the year are set out in the profit and loss account on page 5

Dividends

Dividends of £nil were paid during the year (2005 £11.8 million)

Directors and directors' interests

The directors who held office during the year were as follows

PJ Greensmith	(resigned 22 March 2007)
Dr CB Patel	(resigned 9 March 2007)
D Spruzen	(appointed 27 July 2006, resigned 24 April 2007)

On 16 April 2007, S Bradshaw and Professor C Thompson were appointed as directors of the company. On 2 May 2007, S Mukerji was appointed as a director of the company.

In accordance with the articles of association, no directors retire by rotation. None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

The interests of Dr CB Patel in the shares of Priory Investments Holdings Limited (the ultimate parent company) are disclosed in the financial statements of that company.

The interests of PJ Greensmith and D Spruzen in the shares of Priory Investments Holdings Limited are set out below.

	Interest at end of year				Interest at beginning of year or date of appointment if later			
	A Ordinary shares	B Ordinary shares	Non Voting B Ordinary shares	Preference shares	A Ordinary shares	B Ordinary shares	Non Voting B Ordinary shares	Preference shares
PJ Greensmith	-	200,000	300,000	1,553,153	-	200,000	300,000	1,500,000
D Spruzen *	-	100,000	100,000	53,153	-	100,000	100,000	53,153

* B Ordinary shares and Non Voting B Ordinary shares held indirectly

Auditors

In accordance with Section 386 of the Companies Act 1985 (as amended), the Company has elected to dispense with the obligation to appoint auditors annually. Accordingly, PricewaterhouseCoopers LLP will continue in office as auditors.

Directors' report *(continued)*

Provision of information to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Each director has taken all the steps that he ought to have taken as director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board



S Bradshaw
Director

Priory House
Randalls Way
Leatherhead
Surrey
KT22 7TP

17 May 2007

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditors' report to the members of ZR Builders (Derby) Limited

We have audited the financial statements of ZR Builders (Derby) Limited for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the note of historical cost profits and losses, the reconciliation of movement in shareholders' funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

17 May 2007

Profit and loss account
for the year ended 31 December 2006

	Note	2006 £000	2005 £000
Turnover		-	85
Cost of sales		-	(72)
		<hr/>	<hr/>
Gross profit		-	13
Administrative expenses		-	-
		<hr/>	<hr/>
Operating profit		-	13
Profit on disposal of fixed assets		-	8,027
		<hr/>	<hr/>
Profit on ordinary activities before interest and tax		-	8,040
Other interest receivable and similar income		116	17
		<hr/>	<hr/>
Profit on ordinary activities before taxation	2,3	116	8,057
Tax on profit on ordinary activities	4	(36)	(54)
		<hr/>	<hr/>
Profit for the financial year		80	8,003
Dividends		-	(11,786)
		<hr/>	<hr/>
Amounts transferred to reserves	8	80	(3,783)
		<hr/> <hr/>	<hr/> <hr/>

The results for the both the current and prior year derive from continuing activities

Balance sheet
at 31 December 2006

	Note	2006 £000	2005 £000
Current assets			
Debtors	5	1,946	1,841
Creditors amounts falling due within one year	6	(79)	(54)
Net current assets			
Due within one year		178	1,787
Debtors due after more than one year	5	1,689	-
Net current assets		1,867	1,787
Net assets		1,867	1,787
Capital and reserves			
Called up share capital	7	-	-
Profit and loss account	8	1,867	1,787
Shareholders' funds – equity		1,867	1,787

These financial statements were approved by the board of directors on 17 May 2007 and were signed on its behalf by



S Bradshaw
 Director

Statement of total recognised gains and losses
for the year to 31 December 2006

	2006 £000	2005 £000
Profit for the financial year	80	8,003
Total recognised gains for the year	80	8,003

Note of historical cost profits and losses
for the year to 31 December 2006

	2006 £000	2005 £000
Reported profit on ordinary activities before taxation	116	8,057
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the re-valued amount	-	50
Historical cost profit on ordinary activities before taxation	116	8,107
Historical cost profit/(loss) for the year retained after taxation and dividends	80	(3,733)

Reconciliation of movements in shareholders' funds
for the year to 31 December 2006

	2006 £000	2005 £000
Profit for the financial year	80	8,003
Dividends	-	(11,786)
Net addition to/(reduction in) shareholders' funds	80	(3,783)
Opening shareholders' funds	1,787	5,570
Closing shareholders' funds	1,867	1,787

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of certain land and buildings

Under Financial Reporting Standard 1 (revised) 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 published consolidated financial statements

As the company is a wholly owned subsidiary of Priory Investments Holdings Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Freehold buildings and long leasehold properties - 50 years

Land is not depreciated on the basis that land has an unlimited life. Where the valuation of land and buildings cannot be split, the Directors have estimated that the value attributable to land is 22% of the valuation of the land and buildings

Taxation

The charge for taxation is based on the profit for the year 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 FRS 19

Turnover and revenue recognition

Turnover represents the amounts (excluding value added tax) derived from the provision of services to customers. Revenue is recognised as the services are provided

Notes (continued)

2 Profit on ordinary activities before taxation

	2006	2005
	£000	£000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration (inclusive of VAT)	-	-
Depreciation and other amounts written off tangible fixed assets		
Owned	-	72
Profit on disposal of fixed assets	-	(8,027)
	<u> </u>	<u> </u>

The remuneration of the auditors in the year and the prior year was borne by another group undertaking

3 Directors' remuneration

The directors received no emoluments for services to the company during the year (2005 £nil)

The company had no employees during the year (2005 nil)

4 Taxation

	2006	2005
	£000	£000
<i>UK corporation tax</i>		
Current tax on income for the year	35	30
Adjustment relating to prior years	1	24
	<u> </u>	<u> </u>
	36	54
	<u> </u>	<u> </u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30% (2005 30%)
 The actual tax charge for the year is above the standard rate for the reasons set out in the following reconciliation

	2006	2005
	£000	£000
Profit on ordinary activities before tax	116	8,057
	<u> </u>	<u> </u>
Tax on profit on ordinary activities at standard rate	35	2,417
<i>Factors affecting charge for the year</i>		
Depreciation of non-qualifying assets	-	21
Profit/losses on non-qualifying assets	-	(2,408)
Adjustment to tax charge in respect of prior years	1	24
	<u> </u>	<u> </u>
Total actual amount of current tax	36	54
	<u> </u>	<u> </u>

Notes (continued)

5 Debtors

	2006	2005
	£000	£000
<i>Amounts falling due within one year</i>		
Amounts owed by group undertakings	257	1,841
<i>Amounts falling due after more than one year</i>		
Amounts owed by group undertakings	1,689	-
	<u>1,946</u>	<u>1,841</u>

6 Creditors: amounts falling due within one year

	2006	2005
	£000	£000
Amounts owed to group undertakings	44	24
Group relief payable	35	30
	<u>79</u>	<u>54</u>

7 Called up share capital

	2006	2005
	£	£
<i>Authorised</i>		
1,000 (2005 1,000) Ordinary shares of £1 each	1,000	1,000
<i>Allotted, called up and fully paid</i>		
100 (2005 100) Ordinary shares of £1 each	100	100

8 Reserves

	Profit and loss account £000
At beginning of the year	1,787
Retained profit for the year	80
At end of the year	<u>1,867</u>

Notes *(continued)*

9 **Contingent liabilities**

The company has entered into banking facilities set-off agreements in respect of which guarantees have been given. The aggregate amount outstanding under the agreements was £nil at 31 December 2006 (2005 £nil)

10 **Ultimate parent company**

The company is a subsidiary undertaking of Priory Education Services Limited, which is incorporated in England.

The largest group in which the results of the company are consolidated is that headed by Priory Investments Holdings Limited. No other group accounts include the results of the company.