# ZR Builders (Derby) Limited

Directors' report and financial statements

Year ended 31 December 2004

Registered number 2255001

## Contents

# Directors' report

*The directors present their annual report and the audited financial statements for the year ended* 31 December 2004. Comparative figures are for the 16 months to 31 December 2003.

## 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

The directors do no recommend the payment of a dividend *(2003: £nil)*.

## Directors and directors' interests

The directors who held office during the year were as follows:

| | |
|---|---|
| SG Brook | (resigned 16 June 2004) |
| PJ Greensmith | (appointed 16 June 2004) |
| T Mack | (appointed 16 June 2004) |

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 PJ Greensmith in the shares of Priory Healthcare Investments Limited (the ultimate parent company) are disclosed in the financial statements of that company.

The interests of the other director in the share capital of Priory Healthcare Investments Limited were as follows:

| | **Interest at end of the year** | Interest at start of the year or date of appointment if later |
|---|---|---|
| | **Ordinary shares** | Ordinary shares |
| T Mack | **30,000** | 30,000 |

# Directors' report *(continued)*

**Auditors**

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of PricewaterhouseCoopers LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

**T Mack**
*Company secretary*

Priory House
Randalls Way
Leatherhead
Surrey
KT22 7TP

28 June 2005

## 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 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.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

**Basis of audit opinion**

We conducted our audit in accordance with auditing standards 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 judgements 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 of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**PricewaterhouseCoopers LLP**
*Chartered Accountants and Registered Auditors*
*London*

28 June 2005

## Profit and loss account
***for the year ended 31 December 2004***

| | *Note* | **Year ended 31 December 2004 £000** | Sixteen months to 31 December 2003 £000 |
|---|---|---|---|
| **Turnover** | | **100** | 188 |
| Cost of sales | | **(29)** | (30) |
| **Gross profit** | | **71** | 158 |
| Administrative expenses *(including operating exceptional income £2,001k: 2003 - £nil)* | | **1,940** | (2) |
| **Profit on ordinary activities before taxation** | *2,3* | **2,011** | 156 |
| Tax on profit on ordinary activities | *4* | **-** | (45) |
| **Profit for the financial year** | | **2,011** | 111 |

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

# Balance sheet
*at 31 December 2004*

| | Note | | 2004 | | 2003 |
|---|---|---|---|---|---|
| | | £000 | £000 | £000 | £000 |
| **Fixed assets** | | | | | |
| Tangible assets | 5 | | **5,520** | | 1,720 |
| **Current assets** | | | | | |
| Debtors | 6 | **50** | | 74 | |
| Cash at bank and in hand | | - | | 298 | |
| | | **50** | | 372 | |
| **Creditors:** amounts falling due within one year | 7 | - | | (2,346) | |
| **Net current assets/(liabilities)** | | | **50** | | (1,974) |
| **Total assets less current liabilities** | | | **5,570** | | (254) |
| **Net assets** | | | **5,570** | | (254) |
| **Capital and reserves** | | | | | |
| Called up share capital | 8 | | - | | - |
| Revaluation reserve | 9 | | **3,813** | | - |
| Profit and loss account | 9 | | **1,757** | | (254) |
| **Shareholders' funds – equity** | | | **5,570** | | (254) |

*These financial statements were approved by the board of directors on 28 June 2005 and were signed on its behalf by:*

**P J Greensmith**
*Director*

## Statement of total recognised gains and losses
***for the year to 31 December 2004***

| | Year to 31 Dec 2004 £000 | 16 months to 31 Dec 2003 £000 |
|---|---|---|
| **Profit for the financial year** | **2,011** | 111 |
| *Unrealised surplus on revaluation of properties* | **3,813** | - |
| **Total recognised gains for the year** | **5,824** | 111 |

## Note of historical cost profits and losses
***for the year to 31 December 2004***

| | Year to 31 Dec 2004 £000 | 16 months to 31 Dec 2003 £000 |
|---|---|---|
| **Reported profit on ordinary activities before taxation** | **2,011** | 156 |
| *Difference between a historical cost depreciation charge and the actual depreciation* charge calculated on the re-valued amount | - | - |
| ***Historical cost profit on ordinary activities before taxation*** | **2,011** | 156 |
| **Historical cost (loss)/profit for the period retained after taxation and dividends** | **2,011** | 145 |

## Reconciliation of movements in shareholders' funds
***for the year to 31 December 2004***

| | Year to 31 Dec 2004 £000 | 16 months to 31 Dec 2003 £000 |
|---|---|---|
| **Profit for the financial year** | **2,011** | 111 |
| Revaluation surplus | **3,813** | - |
| **Net addition to shareholders' funds** | **5,824** | 111 |
| Opening shareholders' funds | **(254)** | (365) |
| **Closing shareholders' funds** | **5,570** | (254) |

# 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 Healthcare Investments 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.

***Revaluation of properties***

The company has adopted a policy of revaluation of its properties, as permitted by Financial Reporting Standard 15 - Tangible Fixed Assets. The assets are valued by independent Chartered Surveyors each year at the balance sheet date, on a rolling basis designed to ensure that all properties are specifically valued at least every five years. Any surplus or deficit on book value is transferred to the revaluation reserve, except that a deficit, which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charge (or credited) to the profit and loss account. This represents a change of accounting policy. The effect of the revaluation in 2004 is shown in Note 5.

***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

| | **Year to 31 Dec 2004** | 16 months to 31 Dec 2003 |
|---|---|---|
| ***Profit on ordinary activities before taxation is stated after charging*** | **£000** | £000 |
| Auditors' remuneration (inclusive of VAT) | **-** | 1 |
| Depreciation and other amounts written off tangible fixed assets: | | |
| Owned | **13** | 1 |
| Operating exceptional items: | | |
| Waiver of inter-company debt | **(2,001)** | - |

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

## 3 Directors' remuneration

The directors received no emoluments for services to the company during the year *(prior period: £nil).*

The company had no employees during the year *(prior period: nil).*

## Notes *(continued)*

### 4 Taxation

| | **Year to 31 Dec 2004 £000** | 16 months to 31 Dec 2003 £000 |
|---|---|---|
| *UK corporation tax* | | |
| Current tax on income for the year | - | 45 |
| Deferred tax | - | - |
| | - | - |

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30% *(2003: 30%)*. The actual tax charge for the year is above the standard rate for the reasons set out in the following *reconciliation:*

| | **Year to 31 Dec 2004 £000** | 16 months to 31 Dec 2003 £000 |
|---|---|---|
| Profit on ordinary activities before tax | **2,011** | 156 |
| Tax on profit on ordinary activities at standard rate | **603** | 47 |
| *Factors affecting charge for the year* | | |
| Expenses not deductible for tax purposes | (7) | (2) |
| Depreciation of non-qualifying assets | **4** | - |
| Profit/losses on non-qualifying assets | **(600)** | - |
| *Total actual amount of current tax* | - | 45 |

## Notes *(continued)*

### 5 Tangible assets

| | Freehold land and buildings £000 |
|---|---|
| ***Cost*** | |
| At beginning of the year | 1,720 |
| Surplus on revaluation | 3,800 |
| At end of the year | 5,520 |
| ***Depreciation*** | |
| At beginning of the year | - |
| Charge for the year | 13 |
| Transfer on revaluation | (13) |
| At end of the year | - |
| ***Net book value*** | |
| **At 31 December 2004** | **5,520** |
| At 31 December 2003 | 1,720 |

**Analysis of land and buildings at cost or valuation**

| | **2004 £000** | 2003 £000 |
|---|---|---|
| At cost | **-** | 1,720 |
| At valuation | **5,520** | - |
| | **5,520** | 1,720 |

The Company's land and buildings were re-valued at 31 December 2004, on the basis of existing use value by independent qualified valuers. The valuations were undertaken in accordance with the Practice Statements set out in the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards – 5th Edition, as amended, by Colliers Conrad Ritblat Erdman, a firm of independent Chartered Surveyors.

The valuations have been incorporated into the financial statements and the resulting revaluation adjustments have been taken to the revaluation reserve. The revaluations during the year ended 31 December 2004 resulted in a revaluation surplus of £3,813,000 (note 9).

## Notes *(continued)*

### 5 Tangible fixed assets *(continued)*

The historical net book value of land and buildings is given below:

| | 2004 | 2003 |
|---|---|---|
| | £000 | £000 |
| Historical cost of land and buildings | **1,720** | 1,720 |
| Aggregate depreciation thereon | **(13)** | - |
| Historical cost net book value | **1,707** | 1,720 |

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. At 31 December 2004, the total amount un-provided for was £1.1 million. At present it is not envisaged that any such tax will become payable in the foreseeable future.

### 6 Debtors

| | 2004 | 2003 |
|---|---|---|
| | £000 | £000 |
| Trade debtors | - | 13 |
| Amounts owed by group undertakings | **50** | - |
| Other debtors | - | 61 |
| | **50** | 74 |

### 7 Creditors: amounts falling due within one year

| | 2004 | 2003 |
|---|---|---|
| | £000 | £000 |
| Amounts owed to group undertakings | - | 2,301 |
| Corporation tax payable | - | 45 |
| | - | 2,346 |

## Notes *(continued)*

### 8 Called up share capital

| | 2004 £ | 2003 £ |
|---|---|---|
| ***Authorised*** | | |
| 1,000 *(2003: 1,000)* Ordinary shares of £1 each | **1,000** | 1,000 |
| ***Allotted, called up and fully paid*** | | |
| 100 *(2003:100)* Ordinary shares of £1 each | **100** | 100 |

### 9 Reserves

| | Revaluation reserve £000 | Profit and loss account £000 |
|---|---|---|
| At beginning of the year | - | (254) |
| Retained profit for the year | - | 2,011 |
| Revaluation surplus | 3,813 | - |
| **At end of the year** | **3,813** | **1,757** |

### 10 Contingent liabilities

(a) 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 2004 *(2003: £nil)*.

(b) A fellow subsidiary undertaking has issued secured fixed and floating rate notes amounting to £201.1 million as at 31 December 2004. These notes are secured on the freehold and leasehold properties of certain of its subsidiaries. In addition, the company's share capital has been pledged as security for this loan.

### 11 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 Healthcare Investments Limited. No other group accounts include the results of the company.