

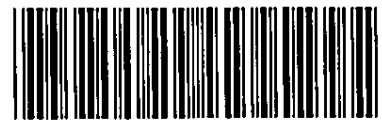
ZR Builders (Derby) Limited

Directors' report and financial statements

Year ended 31 December 2007

Registered number 2255001

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

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 4 and the position of the company as at the year end is set out in the Balance sheet on page 5

Further information regarding the operations and key performance indicators of the group are set out in the directors' report of Priory Investments Holdings Limited

Dividends

The directors do not recommend the payment of a dividend (2006 *£nil*)

Directors

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 | (resigned 24 April 2007) |
| S Bradshaw | (appointed 16 April 2007) |
| Professor C Thompson | (appointed 16 April 2007) |
| S Mukerji | (appointed 2 May 2007) |

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

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

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 Mukerji
Company Secretary

Priory House
Randalls Way
Leatherhead
Surrey
KT22 7TP

1 July 2008

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 2007 which comprise the Profit and loss account, the Balance sheet 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

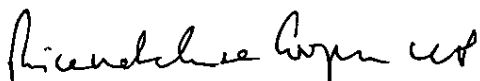
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2007 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
Reading

1 July 2008

Profit and loss account
for the year ended 31 December 2007

| | Note | 2007 £000 | 2006 £000 |
|--|------|--------------|--------------|
| Interest receivable and similar income | | 132 | 116 |
| Profit on ordinary activities before taxation | 2,3 | <u>132</u> | <u>116</u> |
| Tax on profit on ordinary activities | 4 | (39) | (36) |
| Profit for the financial year | 8 | <u>93</u> | <u>80</u> |

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

There is no difference between the profit before taxation and the profit for the year stated above and their historical cost equivalents

Balance sheet
 at 31 December 2007

| | Note | £000 | 2007 £000 | £000 | 2006 £000 |
|--|------|-------|--------------|-------|--------------|
| Current assets | | | | | |
| Debtors | 5 | 2,078 | | 1,946 | |
| Creditors amounts falling due within one year | 6 | (118) | | (79) | |
| | | | | | |
| Net current assets | | | | | |
| Due within one year | | 271 | | 178 | |
| Debtors due after more than one year | 5 | 1,689 | | 1,689 | |
| | | | | | |
| Net current assets | | | 1,960 | | 1,867 |
| | | | | | |
| Net assets | | | 1,960 | | 1,867 |
| | | | | | |
| Capital and reserves | | | | | |
| Called up share capital | 7 | | - | | - |
| Profit and loss account | 8 | | 1,960 | | 1,867 |
| | | | | | |
| Shareholders' funds – equity | 9 | | 1,960 | | 1,867 |

These financial statements were approved by the board of directors on 1 July 2008 and were signed on its behalf by



S Mukerji
 Director

Notes

(forming part of the financial statements)

1 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 Investments Holdings 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

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

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

2 Auditors' remuneration

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

3 Directors' remuneration and employees

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

The company had no employees during the year (2006 nil)

Notes (continued)

4 Taxation

| | 2007 £000 | 2006 £000 |
|------------------------------------|--------------|--------------|
| <i>UK corporation tax</i> | | |
| Current tax on income for the year | 39 | 35 |
| Adjustment relating to prior years | - | 1 |
| | <u>39</u> | <u>36</u> |

The tax charge of £39,000 (2006 £35,000) on profits for the year has been relieved by the surrender of losses by 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 30% (2006 30%)
 The actual tax charge for the year is the same as (2006 more than) the standard rate for the reasons set out in the following reconciliation

| | 2007 £000 | 2006 £000 |
|---|--------------|--------------|
| Profit on ordinary activities before tax | 132 | 116 |
| Tax on profit on ordinary activities at standard rate | 39 | 35 |
| <i>Factors affecting charge for the year</i> | | |
| Adjustment to tax charge in respect of prior years | - | 1 |
| Total actual amount of current tax | <u>39</u> | <u>36</u> |

5 Debtors

| | 2007 £000 | 2006 £000 |
|---|--------------|--------------|
| <i>Amounts falling due within one year</i> | | |
| Amounts owed by group undertakings | 389 | 257 |
| <i>Amounts falling due after more than one year</i> | | |
| Amounts owed by group undertakings | 1,689 | 1,689 |
| | <u>2,078</u> | <u>1,946</u> |

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

Amounts due from group undertakings due after more than one year bear interest at LIBOR plus 2.25% per annum and are repayable on demand. It is not expected that the demand would be made or that these amounts will be received within the current year and accordingly these amounts have been shown as amounts due after more than one year

Notes *(continued)*

6 Creditors: amounts falling due within one year

| | 2007 £000 | 2006 £000 |
|------------------------------------|--------------|--------------|
| Amounts owed to group undertakings | 79 | 44 |
| Group relief payable | 39 | 35 |
| | <u>118</u> | <u>79</u> |

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

7 Called up share capital

| | 2007 £ | 2006 £ |
|---|--------------|--------------|
| Authorised | | |
| 1,000 (2006 1,000) Ordinary shares of £1 each | <u>1,000</u> | <u>1,000</u> |
| Allotted, called up and fully paid | | |
| 100 (2006 100) Ordinary shares of £1 each | <u>100</u> | <u>100</u> |

8 Reserves

| | Profit and loss account £000 |
|------------------------------|---------------------------------------|
| At beginning of the year | 1,867 |
| Retained profit for the year | 93 |
| At end of the year | <u>1,960</u> |

Notes (continued)

9 Reconciliation of movement in shareholders' funds

| | 2007 £000 | 2006 £000 |
|--|--------------|--------------|
| Profit for the financial year | 93 | 80 |
| Net addition to shareholders' funds | 93 | 80 |
| Opening shareholders' funds | 1,867 | 1,787 |
| Closing shareholders' funds | 1,960 | 1,867 |

10 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 2007 (2006 £nil).

Bank loans of a fellow group undertaking are secured by fixed and floating charges over all the assets of the company.

11 Ultimate parent company

The company's immediate parent company, which is incorporated in England, is Priory Old Schools Services Limited.

The ultimate parent company and the largest group of which the company is a member and for which group accounts are prepared is that headed by Priory Investments Holdings Limited. A copy of the consolidated accounts can be obtained from the Company Secretary at Priory House, Randalls Way, Leatherhead, Surrey KT22 7TP.