

COMPANY NO: 4800642

PRIORGATE HOLDINGS LIMITED

ANNUAL REPORT

◆ *Year ended 31 March 2006* ◆



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COMPANY INFORMATION

Directors	C G R Pratt
	G J Yardley
	P E Hilton
	C Rossiter
	P McCulloch
Secretary	S A F Bailey
Registered office	30 Warwick Street
	London
	W1B 5NH
Registered number	4800642
Auditors	RSM Robson Rhodes LLP
	Chartered Accountants
	Bryanston Court
	Selden Hill
	Hemel Hempstead
Bankers	HP2 4TN
	Bank of Ireland
	20 Berkley Square
	London
	W1J 6LL

PRIORGATE HOLDINGS LIMITED
REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 March 2006.

Principal activities

The company was formed as a holding company for a PFI special purpose vehicle and does not trade in its own right.

Results and Future Prospects

The directors consider the results for the period which are set out in the profit and loss account on page 5 to be satisfactory. The directors do not recommend payment of a dividend.

Directors

The directors of the company during the period were as shown below. There were no beneficial interests of the directors in the shares of the company at the year end.

Name

Directors:

C G R Pratt

G J Yardley (alternate director)

R W Christie (alternate director, resigned 6th October 2005)

P E Hilton

C W McLellan (alternate director, resigned 6th October 2005)

C Rossiter (alternate director, appointed 6th October 2005)

P McCulloch

Secretary:

S A F Bailey

Statement of directors' responsibilities for the financial statements

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 of the company 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

REPORT OF THE DIRECTORS (Continued)

Statement of directors' responsibilities for the financial statements (continued)

The directors are responsible for keeping proper accounting records which 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 1985. 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.

Disclosure of information to auditors

At the date of making this report each of the company's directors, as set out on page 1, confirm the following:

- so far as each director is aware, there is no relevant information needed by the company's auditors in connection with preparing their report of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant 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.

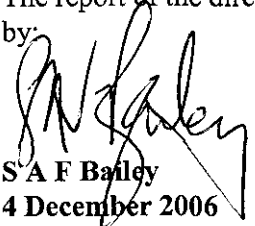
Auditors

The auditors are willing to continue in office, and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

Approval

The report of the directors has been prepared in accordance with the special provisions of Part VII of the Companies Act relating to small companies.

The report of the directors was approved by the Board on 4th December 2006 and signed on its behalf by:


S A F Bailey
4 December 2006

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PRIORGATE HOLDINGS LIMITED

We have audited the financial statements on pages 5 to 11. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Auditing Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 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.

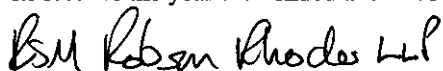
Basis of audit opinion

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 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, in accordance with United Kingdom *Generally Accepted Accounting Practice*, of the state of affairs of the company as at 31 March 2006 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



RSM Robson Rhodes LLP

Chartered Accountants and Registered Auditor

Hemel Hempstead, England

4 December 2006

PRIORGATE HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2006

	Note	Year ended 31 March 2006	7 months to 31 March 2005
		£	£
Turnover: Continuing Operations		-	-
Cost of Sales		-	-
		<hr/>	<hr/>
Gross Profit		-	-
Administrative expenses		(1,500)	(1,800)
		<hr/>	<hr/>
Operating Loss: Continuing Operations	3	(1,500)	(1,800)
Interest receivable	4	353,722	1
Interest payable	5	(353,720)	-
		<hr/>	<hr/>
Loss on Ordinary Activities Before Taxation		(1,498)	(1,799)
Taxation	6	-	-
		<hr/>	<hr/>
Retained Loss for the Financial Period	13	(1,498)	(1,799)
Loss brought forward		(3,241)	(1,442)
		<hr/>	<hr/>
Loss carried forward	13	(4,739)	(3,241)
		<hr/>	<hr/>

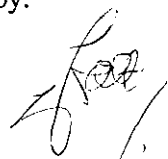
The company has no recognised gains or losses nor movements in shareholders funds other than those included in the profit and loss account above.

PRIORGATE HOLDINGS LIMITED**BALANCE SHEET**
as at 31 March 2006

	Note	2006 £	2005 £
Fixed Assets			
Investments	7	10,000	10,000
Current Assets			
Debtors	8		
Amounts due after more than one year		2,552,882	2,569,000
Amounts due within one year		376,838	7,000
		2,929,720	2,576,000
Cash at bank and in hand		61	59
		<u>2,929,781</u>	<u>2,576,059</u>
Creditors: Amounts falling due within one year	9	(381,638)	(10,300)
		<u>2,548,143</u>	<u>2,565,759</u>
Net Current Assets/(Liabilities)		2,548,143	2,565,759
Total Assets less Current Liabilities		<u>2,558,143</u>	<u>2,575,759</u>
Creditors: Amounts falling due after one year	10,11	(2,552,882)	(2,569,000)
		<u>5,261</u>	<u>6,759</u>
Net Assets		<u>5,261</u>	<u>6,759</u>
Capital and reserves			
Called up share capital	12	10,000	10,000
Profit and loss account	13	(4,739)	(3,241)
		<u>5,261</u>	<u>6,759</u>
Equity shareholders' funds	14	<u>5,261</u>	<u>6,759</u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board on 4th December 2006 and signed on its behalf by:



C Pratt
Director
4 December 2006

NOTES TO THE FINANCIAL STATEMENTS

31 March 2006

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared in accordance with applicable accounting standards under the historical cost convention.

The financial statements only present information about the company and do not contain information relating to the group as a whole. The company is not required to prepare group accounts because the group qualifies as small under section 249 of the Companies Act 1985.

Cashflow Statement

The directors have relied on the exemption conferred on small companies by Financial Reporting Standard 1 and accordingly no such statement has been prepared for these accounts.

Investments

Investments are stated at cost and will be written down to recoverable amount should impairment review indicate that this is necessary.

Consolidated Group Accounts

The directors have relied on the exemption conferred on small companies by Financial Reporting Standard 2 and accordingly no such statement has been prepared for these accounts.

2. DIRECTORS' EMOLUMENTS AND STAFF COSTS

Directors received no emoluments for their services as directors during the accounting year (period to 31 March 2005 nil).

3. OPERATING LOSS

Operating loss is stated after charging:

	Year ended 31 March 2006	7 months to 31 March 2005
	£	£
Auditors' remuneration	1,000	1,500

4. INTEREST RECEIVABLE

	Year ended 31 March 2006	7 months to 31 March 2005
Bank interest	2	1
Interest receivable from subsidiary undertaking	353,720	-
	353,722	1

PRIORGATE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 March 2006**5. INTEREST PAYABLE**

	Year ended 31 March 2006	7 months to 31 March 2005
Loan interest payable to shareholders	353,720	-
	<hr/>	<hr/>

6. TAXATION

	Year ended 31 March 2006	7 months to 31 March 2005
	£	£
United Kingdom Corporation Tax		
Current tax on income for the period	-	-
	<hr/>	<hr/>
Current tax reconciliation		
Deficit for the period	(1,498)	(1,799)
	<hr/>	<hr/>
Theoretical tax at UK corporation tax rate of 30%	(449)	(540)
Effects of:		
Increase in tax losses	449	540
	<hr/>	<hr/>
Current charge for the period	-	-
	<hr/>	<hr/>

Factors that may affect future tax charges

The company has tax losses of £4,739 as at 31 March 2006 (31 March 2005: £3,241), which may be set against certain profits arising in future accounting periods. The resultant deferred tax asset of £1,421 as at 31 March 2006 (31 March 2005: £972) has not been recognised due to uncertainties as to the extent and timing of its future recovery.

7. INVESTMENTS

	2006	2005
	£	£
Shares in subsidiary		
	<hr/>	<hr/>
Investments comprise		
Priorgate Limited (100% of ordinary share capital)	10,000	10,000
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS**31 March 2006****7. INVESTMENTS (CONTINUED)**

The principal activity of Priorgate Limited is to provide Sheffield City Council with two serviced schools. The profit for the period ended 31 March 2006 was £60,771 (31 March 2005: loss of £37,552) and the net liabilities at year-end were £50,045 (31 March 2005: £110,816.)

8. DEBTORS

	2006 £	2005 £
Priorgate Limited loan	2,576,000	2,576,000
Accrued interest income	353,720	-
	<hr/>	<hr/>
	2,929,720	2,576,000
	<hr/>	<hr/>

The loan to Priorgate Limited includes £2,552,882 which is due after more than one year.

9. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	2005 £
Amounts due to Priorgate Limited	4,800	3,300
Interest due to shareholders	353,720	-
Shareholder loans	23,118	7,000
	<hr/>	<hr/>
	381,638	10,300
	<hr/>	<hr/>

10. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2006 £	2005 £
Shareholder loan	2,552,882	2,569,000
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS**31 March 2006****11. BORROWINGS ANALYSIS**

	2006	2005
	£	£
Shareholder loans repayable:		
Due within 1 year	23,118	7,000
Due 1-2 years	18,088	16,000
Due 2-5 years	70,591	62,000
Due after 5 years	2,464,203	2,491,000
	<hr/>	<hr/>
Shareholder loan	2,576,000	2,576,000
	<hr/>	<hr/>

The shareholder loan incurs interest at a rate of 13.29% per annum.

12. CALLED UP SHARE CAPITAL

	2006	2005
	£	£
Authorised, allotted and fully paid		
10,000 ordinary shares at £1 each	10,000	10,000
	<hr/>	<hr/>

13. RESERVES

Profit and Loss Account	2006	2005
	£	£
Opening balance	(3,241)	(1,442)
Retained loss for the period	(1,498)	(1,799)
	<hr/>	<hr/>
Closing balance	(4,739)	(3,241)
	<hr/>	<hr/>

14. MOVEMENT IN SHAREHOLDERS' FUNDS

	2006	2005
	£	£
Loss for the period	(1,498)	(1,799)
Opening shareholders' funds	6,759	8,558
	<hr/>	<hr/>
Closing shareholders' funds	5,261	6,759
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

31 March 2006

15. RELATED PARTIES

Priorgate Holdings Limited is 10% owned by King Sturge LLP, 30% owned by M J Gleeson Group plc and 60% owned by SMIF UK LP.

The company holds subordinated loan notes in Priorgate Limited totaling £2,576,000 and interest receivable of £353,720 has accrued on these during the year. Interest accrued to date at the year-end was £353,720.

The company has issued loan notes to its shareholders King Sturge LLP, M J Gleeson Group plc and Noble-SMIF LP of £257,600 (2005: £257,600), £772,800 (2005: £772,800) and £1,545,600 (2005: £1,545,600) respectively. The company has incurred interest charges of £35,372 (2005: nil), £106,116 (2005: nil) and £212,232 (2005: nil) respectively on these loans in the year.

Administrative expenses for the year of £1,500 (2005: £1,800) are paid on behalf of the company by Priorgate Limited. The amount due to Priorgate Limited at the year-end was £4,800 (2005: £3,300).