

**PRITCHARD GROUP PLC**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**Company Registration Number 01080857**

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**PRITCHARD GROUP PLC**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2010**

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**PRITCHARD GROUP PLC**  
**OFFICERS AND PROFESSIONAL ADVISERS**  
**YEAR ENDED 31 DECEMBER 2010**

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<b>The board of directors</b>	C F Pritchard C M Salmon G W Tonkinson J C Pritchard P E Pritchard
<b>Company secretary</b>	C F Pritchard
<b>Business address</b>	Anglesey Lodge Hednesford Staffordshire WS12 1DL
<b>Registered office</b>	As above
<b>Auditor</b>	RSM Tenon Audit Limited Unit 3, Hollinswood Court Stafford Park 1 Telford Shropshire TF3 3DE

**PRITCHARD GROUP PLC**  
**CHAIRMAN'S STATEMENT**  
**YEAR ENDED 31 DECEMBER 2010**

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**Our Business**

The Pritchard Group is a property investment group which has built up a significant portfolio over some 40 years. Our strategy has been to focus on the regional markets of Staffordshire and the West Midlands with a wide spread of investments across the industrial, retail, office and residential sectors and a broad tenant base. Our extensive knowledge of the regional market and our contacts with all the influential parties therein has enabled us to benefit from a clear appreciation of these markets. Over many years we have always maintained a strong focus on income generation and have achieved consistently high occupancy levels through managing the requirements of our many tenants.

The Group serves the entire range of occupational market sectors and many of its schemes are mixed use. We do not specialise and are therefore not overly dependant on any one market sector. Our in-house team has the asset management capability to handle the multi-let assets and the smaller properties effectively, which continues to deliver low void rates. Vacant buildings are expensive especially in the current business rates climate.

Despite challenging trading conditions, the group has performed as well as expected in the face of the worst recession to hit the UK economy in living memory. Enquiry levels and conversion rates have remained relatively stable although understandably impacted by the uncertainties in the national and regional marketplace.

As part of the review of the cost base in 2009, the corporate structure of the Group was streamlined through the acquisition of the shares in Chaseregen Limited (formerly Chaseregen plc) on 1st January 2010. This move makes the management of these companies more efficient.

During the year the Group invested modestly in the improvement of selected properties. There were no significant disposals in the year. The value of the Group's property portfolio at the end of the year reflected an independent revaluation carried out by a third party valuer on behalf of the Group.

**Outlook**

The Group is seeking to regenerate itself as an active investment, trading and development group. The Group reviews the entire portfolio periodically for any possible strategic sales.

In early 2011, a sale of the majority of the St George's hospital site in Stafford was concluded with Bovis Homes whereby the latter will complete over the next five years the development of a residential complex of 254 family homes and 113 apartments. The site's acquisition and planning processes had been undertaken by our Group over a number of years. We retain an ongoing interest in the successful conclusion of this development partnership.

Through 2011 and beyond, we will focus on regenerating the property portfolio and this will enable the Group to progress its development programme working alongside strategic partners.

We have discussed our strategy in some detail with our bank with whom we have a good working relationship. They are fully supportive and have provided the group with facilities through to the end of 2013 which will enable us to carry out our agreed strategy over the medium term.

We are actively progressing the development opportunities that we hold for several retail and leisure schemes. We continue to perfect planning permissions, working alongside strategic partners on the larger schemes, so that we will be ready for the conditions that will support such schemes. The market for residential land has shown signs of improvement. As a result, we have started to perfect the relevant planning permissions ahead of marketing certain sites.


**PRITCHARD GROUP PLC**  
**CHAIRMAN'S STATEMENT** *(continued)*  
**YEAR ENDED 31 DECEMBER 2010**

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I would like to thank all of the team throughout the Group for their hard work, loyalty and understanding during this extremely tough period. We have recently strengthened the management team with the appointment of a Chief Executive. I am confident that with the team's support, hard work and fortitude, we will deliver our strategy and see through these extremely difficult economic times.

Whilst the commercial property market has seen significant decline in capital values since its peak in 2007, the recovery outside of London and prime city centres has been slow to gather strength. There remain uncertainties over the current strength of the UK economy, the impact in the regions of the Government's plans to stabilise the economy and the effect of the volatility in Europe and beyond. The short to medium term prospects for the real estate market remain exceptionally challenging in these turbulent times. Given the right economic conditions, we are confident that the regional real estate market will see recovery over the medium to long term and the Group will seek to maintain a portfolio that can benefit from this recovery.

C F Pritchard  
Chairman

A large, stylized handwritten signature in black ink, appearing to read 'C F Pritchard', is written over the printed name and title.

**PRITCHARD GROUP PLC**  
**THE DIRECTORS' REPORT**  
**YEAR ENDED 31 DECEMBER 2010**

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The directors present their report and the financial statements of the group for the year ended 31 December 2010

**Principal activities and business review**

The principal activity of the group during the year was that of a property holding and development

During the year turnover increased to £8.3 million, a 15.7% uplift on that achieved in 2009, as a result of the acquisition of Chaseregen Limited (formerly Chaseregen plc)

Administrative expenses in the year were £57.7 million compared to £4.2 million in 2009. Excluding the exceptional items in both years, £52.5 million in 2010 and £1.2 million in 2009, administrative expenses increased to £5.2 million (2009- £3.0 million) principally as a result of the acquisition of Chaseregen Limited (formerly Chaseregen plc). The exceptional items in the year related to the write off goodwill of £36.3 million, and the deficit on the revaluation of freehold and leasehold properties of £16.2 million (2009- £1.2 million)

The resultant operating profit for the year before exceptional items was £3.2 million compared to £4.2 million in 2009

The loss on ordinary activities before taxation was £55.1 million compared to £1.0 million achieved in 2009. Other operating income of £0.1 million in 2009 included a profit on the sale of certain listed investments

The property accommodation market is extremely competitive and the group are subject to the business environment, risks and uncertainties of the markets in which it operates. We recognise that our business will be subject to unforeseen future events outside our control, however we are able to react swiftly to threats and opportunities as they arise

**Results and dividends**

The loss for the year amounted to £55.1 million. The directors have not recommended a dividend

**Financial risk management objectives and policies**

The business' principal financial instrument comprise bank balances, trade debtors and trade creditors. The main purpose of these instruments is to finance the business' operations

In respect of bank balances, the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility. All of the business' cash balances are held in such a way that achieves a competitive rate of interest

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits. The amounts presented in the balance sheet are net of allowances for doubtful debtors

Trade creditors' liquidity risk is managed by ensuring sufficient funds are available to meet the amounts due

**PRITCHARD GROUP PLC**  
**THE DIRECTORS' REPORT** *(continued)*  
**YEAR ENDED 31 DECEMBER 2010**

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**Directors**

The directors who served the company during the year were as follows

C F Pritchard  
C M Salmon  
G W Tonkinson  
J C Pritchard  
P E Pritchard

G W Tonkinson was appointed as a director on 1 June 2010

**Directors' responsibilities**

The directors are responsible for preparing 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 elected to prepare 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 the group and of the profit or loss of the group for that year. 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are, individually, aware

- there is no relevant audit information of which the group's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

**Donations**

During the year the company made the following contributions

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Charitable	<b>26,437</b>	<b>36,098</b>

During the year the group made charitable donations of £26,437 (2009 £36,098) to a variety of community and social charities. There were no political donations made during the year.

**PRITCHARD GROUP PLC**  
**THE DIRECTORS' REPORT** *(continued)*  
**YEAR ENDED 31 DECEMBER 2010**

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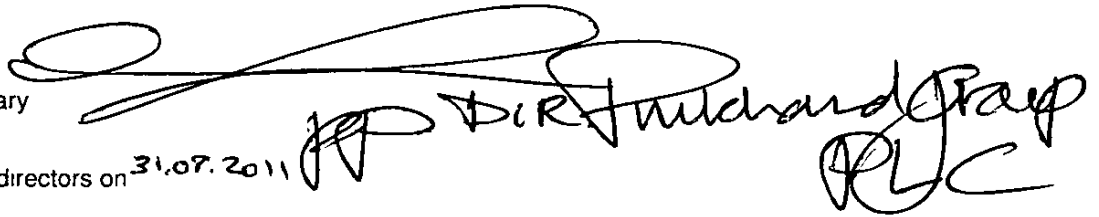
**Auditor**

RSM Tenon Audit Limited are deemed to be reappointed under section 487(2) of the Companies Act 2006

Signed on behalf of the directors

C F Pritchard  
Company Secretary

Approved by the directors on 31.07.2011





**PRITCHARD GROUP PLC**  
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**  
**PRITCHARD GROUP PLC**  
**YEAR ENDED 31 DECEMBER 2010**

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We have audited the group and parent company financial statements ("the financial statements") of Pritchard Group Plc for the year ended 31 December 2010 on pages 9 to 28. 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) as modified by the revaluation of certain assets.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the Annual Report, 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 International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

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 group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by directors, and the overall presentation of the financial statements.

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2010 and of the group's 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.

**Opinion on other matters prescribed by the Companies Act 2006**

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

**PRITCHARD GROUP PLC**  
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**  
**PRITCHARD GROUP PLC** *(continued)*  
**YEAR ENDED 31 DECEMBER 2010**

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**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

*RSM Tenon Audit Limited*

Mark Evans, Senior Statutory Auditor  
For and on behalf of

RSM Tenon Audit Limited  
Statutory Auditor  
Unit 3, Hollinswood Court  
Stafford Park 1  
Telford  
Shropshire  
TF3 3DE

Date - *1st September 2011*

**PRITCHARD GROUP PLC**  
**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 DECEMBER 2010**

	Note	2010 £	2009 £
<b>Group turnover</b>	2	8,300,651	7,173,656
Administrative expenses		(57,675,238)	(4,160,975)
Other operating income	3	64,000	60,884
<b>Operating (loss)/profit</b>	4	(49,310,587)	3,073,565
Attributable to			
Operating profit before exceptional items		3,230,384	4,232,010
Exceptional items	4	(52,540,971)	(1,158,445)
		(49,310,587)	3,073,565
Income from fixed asset investments	6	–	29,992
Interest receivable		84,322	53,648
Interest payable and similar charges	7	(5,907,007)	(4,198,220)
<b>Loss on ordinary activities before taxation</b>		(55,133,272)	(1,041,015)
Tax on loss on ordinary activities	8	–	(151,521)
<b>Loss on ordinary activities after taxation</b>		(55,133,272)	(1,192,536)
Minority interests		28,361	(2,165)
<b>Loss attributable to members of the parent company</b>	9	(55,104,911)	(1,194,701)
<b>Loss for the financial year</b>		(55,104,911)	(1,194,701)

All of the activities of the group are classed as continuing

The company has taken advantage of section 408 of the Companies Act 2006  
not to publish its own Profit and Loss Account

The notes on pages 14 to 28 form part of these financial statements

**PRITCHARD GROUP PLC**  
**GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**YEAR ENDED 31 DECEMBER 2010**

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	2010 £	2009 £
Loss for the financial year		
Attributable to the shareholders of the parent company	(55,104,911)	(1,194,701)
Unrealised surplus on revaluation of properties	478,943	—
Unrealised deficit on revaluation of properties	(21,227,469)	(626,479)
Minority interest share of revaluation	<u>(7,166)</u>	<u>(626)</u>
Total gains and losses recognised since the last annual report	<u>(75,860,603)</u>	<u>(1,821,806)</u>

The notes on pages 14 to 28 form part of these financial statements

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**PRITCHARD GROUP PLC**  
**GROUP BALANCE SHEET**


**31 DECEMBER 2010**

	Note	2010 £	£	2009 £	£
<b>Fixed assets</b>					
Intangible assets	10		-		-
Tangible assets	11		90,826,211		105,450,749
Investments	12		-		1,491,021
			<u>90,826,211</u>		<u>106,941,770</u>
<b>Current assets</b>					
Debtors	13	29,745,221		51,978,120	
<b>Creditors: Amounts falling due within one year</b>	14	<u>(146,354,641)</u>		<u>(108,819,503)</u>	
<b>Net current liabilities</b>			(116,609,420)		(56,841,383)
<b>Total assets less current liabilities</b>			<u>(25,783,209)</u>		<u>50,100,387</u>
<b>Capital and reserves</b>					
Called-up share capital	19		100,046		99,950
Share premium account	20		2,838,957		2,838,957
Revaluation reserve	20		16,632,991		37,388,683
Other reserves	20		12,438		-
Profit and loss account	20		(45,392,929)		9,711,982
<b>Shareholders' funds</b>	21		<u>(25,808,497)</u>		<u>50,039,572</u>
<b>Minority interests</b>			25,288		60,815
			<u>(25,783,209)</u>		<u>50,100,387</u>

These financial statements were approved by the directors and authorised for issue on and are signed on their behalf by

31.08.2011

  
C F Pritchard  
Director



**PRITCHARD GROUP PLC**

Registered Number 01080857

**BALANCE SHEET****31 DECEMBER 2010**

	Note	2010		2009	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	11		—		40,772
Investments	12		12,485,367		4,381,927
			<u>12,485,367</u>		<u>4,422,699</u>
<b>Current assets</b>					
Debtors	13	72,366,405		81,092,292	
Cash at bank		1,113		1,112	
		<u>72,367,518</u>		<u>81,093,404</u>	
<b>Creditors. Amounts falling due within one year</b>	14	<u>(135,312,110)</u>		<u>(90,652,646)</u>	
<b>Net current liabilities</b>			(62,944,592)		(9,559,242)
<b>Total assets less current liabilities</b>			<u>(50,459,225)</u>		<u>(5,136,543)</u>
<b>Capital and reserves</b>					
Called-up share capital	19		100,046		99,950
Share premium account	20		2,838,957		2,838,957
Profit and loss account	20		(53,398,228)		(8,075,450)
<b>Shareholders' funds</b>			<u>(50,459,225)</u>		<u>(5,136,543)</u>

These financial statements were approved by the directors and authorised for issue on 31.08.2011 and are signed on their behalf by

G.F. Pritchard  
Director

*G.F. Pritchard*  
G.F. Pritchard Group PLC

**PRITCHARD GROUP PLC**  
**GROUP CASH FLOW CASH FLOW STATEMENT**  
**YEAR ENDED 31 DECEMBER 2010**

		2010		2009	
	Note	£	£	£	£
<b>Net cash outflow from operating activities</b>	22		(524,209)		(843,693)
<b>Returns on investments and Servicing of finance</b>					
Income from other fixed asset investments		–		29,992	
Interest received		84,322		53,648	
Interest paid		(5,907,007)		(4,198,220)	
<b>Net cash outflow from returns on investments and servicing of finance</b>			(5,822,685)		(4,114,580)
<b>Taxation</b>			35,854		(126,800)
<b>Capital expenditure and financial investment</b>					
Payments to acquire tangible fixed assets		(216,456)		(1,829,144)	
Receipts from sale of fixed assets		158,291		99,575	
Purchase of listed investments		(205)		(216,320)	
Disposal of listed investments		1,384,969		337,390	
<b>Net cash inflow/(outflow) for capital expenditure and financial investment</b>			1,326,599		(1,608,499)
<b>Acquisitions and disposals</b>					
Net debt acquired with subsidiary		(23,129,901)		–	
<b>Net cash outflow from acquisitions and disposals</b>			(23,129,901)		–
<b>Cash outflow before financing</b>			(28,114,342)		(6,693,572)
<b>Financing</b>					
Increase in bank loans		28,114,342		74,376,798	
<b>Net cash inflow from financing</b>			28,114,342		74,376,798
<b>Increase in cash</b>	22		–		67,683,226

The notes on pages 14 to 28 form part of these financial statements

**PRITCHARD GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2010**

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**1. Accounting policies**

**Basis of accounting**

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

The principal accounting policies are set out below

**Going Concern**

The directors have considered the going concern assumption carefully when preparing the accounts. They have prepared a detailed business plan and financial forecasts for the next 6 years. The plan includes a programme of appraisal of the investment property portfolio and as a result some property sales are anticipated together with selected investment and development. This plan has been reviewed by the Group's bankers who have renewed the current facilities which are subject to normal annual review to December 2013. Therefore, the directors have concluded that the going concern assumption is appropriate.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over five years from the year of acquisition. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

**Turnover**

Turnover represents amounts invoiced, net of value added tax, in respect of rents receivable.

**Goodwill**

Positive purchased goodwill arising on acquisitions is capitalised, classified as an asset on the Balance Sheet and amortised over its estimated useful life up to a maximum of 20 years. This length of time is presumed to be the maximum useful life of purchased goodwill because it is difficult to make projections beyond this period. Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently as and when necessary if circumstances emerge that indicate that the carrying value may not be recoverable.

**Tangible fixed assets**

Tangible fixed assets are stated at cost less depreciation. Cost represents purchase price together with any incidental costs of acquisition.

**Depreciation**

Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

Land and buildings	- not provided
Fixtures, fittings & office equipment	- 20% straight line
Motor Vehicles	- 25% reducing balance



**PRITCHARD GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2010**

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**1. Accounting policies *(continued)***

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve

**Investment properties**

Certain of the group's properties are held for long-term investment. Investment properties are accounted for in accordance with SSAP 19 as follows

(i) No depreciation is provided in respect of investment properties and they are revalued annually. The surplus or deficit on revaluation is transferred to the revaluation reserve unless a deficit below original cost, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year

(ii) No depreciation is provided in respect of leasehold investment properties where the lease has over 20 years to run

This treatment as regards the group's investment properties may be a departure from the requirements of the Companies Act concerning the depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair review. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified

**Deferred taxation**

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 or a right to pay less tax in the future have occurred by the balance sheet date with certain limited exceptions

Deferred tax is calculated on an undiscounted basis at the 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 enacted or substantively enacted at the balance sheet date

Deferred tax assets are recognised only to the extent that the directors consider it more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities recognised have not been discounted

**Investments**

Shares in subsidiaries are valued at cost less provision for permanent impairment

Fixed asset investments are stated at historical cost less provision for any permanent diminution in value

**Deferred income**

Deferred income relates to property rental received in advance

**PRITCHARD GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2010**

**2 Turnover**

The turnover and loss before tax are attributable to the one principal activity of the group

An analysis of turnover is given below

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
United Kingdom	<u>8,300,651</u>	<u>7,173,656</u>

**3. Other operating income**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Other operating income	<u>64,000</u>	<u>60,884</u>

**4. Operating (loss)/profit**

Operating (loss)/profit is stated after charging/(crediting)

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Depreciation of owned fixed assets	176,104	178,830
Write back of provision on investment	–	(186,056)
Loss on disposal of fixed assets	88,738	50,425
Profit on disposal of investments	–	(58,143)
Auditor's remuneration - audit of the financial statements	20,000	19,250
Auditor's remuneration - other fees	5,875	4,000
Exceptional administrative expenses - see below	<u>52,540,971</u>	<u>1,158,445</u>

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Auditor's remuneration - audit of the financial statements	<u>20,000</u>	<u>19,250</u>

Auditor's remuneration - other fees

- Taxation services	<u>5,875</u>	<u>4,000</u>
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**Exceptional administrative expenses**

Included in exceptional administrative expenses above of £52,540,971 is a write down of goodwill of £36,265,179 (2009 - £nil) and deficit on revaluation of investment properties of £16,275,792 (2009 - £1,158,445)

**PRITCHARD GROUP PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2010**

**5 Particulars of employees**

The average number of staff employed by the group during the financial year amounted to

	<b>2010</b>	<b>2009</b>
	<b>No</b>	<b>No</b>
Number of directors	<u>5</u>	<u>3</u>

No salaries or wages have been paid to employees, including the directors, during the year

**6. Income from fixed asset investments**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Income from other fixed asset investments	<u>-</u>	<u>29,992</u>

**7. Interest payable and similar charges**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Interest payable on bank borrowing	<u>5,907,007</u>	<u>4,198,220</u>

**8. Taxation on ordinary activities**

**(a) Analysis of charge in the year**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Corporation tax	-	-
(Over)/under provision in prior year	<u>-</u>	<u>151,521</u>
	<u>-</u>	<u>151,521</u>

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**8 Taxation on ordinary activities (continued)**

**(b) Factors affecting current tax charge**

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 28% (2009 - 28%)

	2010 £	2009 £
Loss on ordinary activities before taxation	(55,133,272)	(1,041,015)
Loss on ordinary activities by rate of tax	(15,389,716)	(291,484)
Effects of		
Expenses not deductible for tax purposes	14,804,910	384,873
Capital allowances for period in excess of depreciation	(53,924)	(86,771)
Utilisation of tax losses	(139,229)	(225,102)
Unrelieved tax losses	775,357	204,365
Adjustments to tax charge in respect of previous periods	-	151,521
Accounting (profit)/loss on chargeable assets	2,602	14,119
Total current tax (note 8(a))	-	151,521

**(c) Factors that may affect future tax charges**

Future tax charges will continue to be affected by capital allowances in excess of depreciation

**9 Loss attributable to members of the parent company**

The loss dealt with in the financial statements of the parent company was £45,322,778 (2009 - £3,311,965)

**10 Intangible fixed assets**

Group	Goodwill £
<b>Cost</b>	
Additions	36,265,179
Fully written off	(36,265,179)
At 31 December 2010	-
<b>Amortisation</b>	
At 1 January 2010 and 31 December 2010	-
<b>Net book value</b>	
At 31 December 2010	-
At 31 December 2009	-

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**11. Tangible fixed assets**

**Group**

	<b>Freehold &amp; Leasehold Property £</b>	<b>Furniture, Fixtures &amp; Office Equipment £</b>	<b>Motor Vehicles £</b>	<b>Total £</b>
<b>Cost or valuation</b>				
At 1 January 2010	105,068,454	826,196	139,410	106,034,060
Additions	22,713,096	17,892	—	22,730,988
Disposals	(100,000)	—	(139,410)	(239,410)
Revaluations	(37,038,650)	—	—	(37,038,650)
At 31 December 2010	<u>90,642,900</u>	<u>844,088</u>	<u>—</u>	<u>91,486,988</u>
<b>Depreciation</b>				
At 1 January 2010	—	484,673	98,638	583,311
Charge for the year	—	176,104	—	176,104
On disposals	—	—	(98,638)	(98,638)
At 31 December 2010	<u>—</u>	<u>660,777</u>	<u>—</u>	<u>660,777</u>
<b>Net book value</b>				
At 31 December 2010	<u>90,642,900</u>	<u>183,311</u>	<u>—</u>	<u>90,826,211</u>
At 31 December 2009	<u>105,068,454</u>	<u>341,523</u>	<u>40,772</u>	<u>105,450,749</u>

**Company**

	<b>Motor Vehicles £</b>
<b>Cost or valuation</b>	
At 1 January 2010	139,410
Disposals	(139,410)
At 31 December 2010	<u>—</u>
<b>Depreciation</b>	
At 1 January 2010	98,638
On disposals	(98,638)
At 31 December 2010	<u>—</u>
<b>Net book value</b>	
At 31 December 2010	<u>—</u>
At 31 December 2009	<u>40,772</u>

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**11. Tangible fixed assets (continued)**

**Investment Properties**

**Group**

Included within land and buildings is freehold investment properties of £76,717,900 (2009 - £90,947,349) and long-term leasehold investment properties of £13,925,000 (2009 - £14,121,105)

The historic cost of investment properties included at valuation is £99,130,985 (2009 - £66,248,863)

Investment properties were valued on an open market basis on 29 September 2010 by DTZ Limited (RICS), real estate property valuers. Based on their assessment of the carrying value properties were revalued downwards by £37,038,650, taking them below their historic cost. Of this amount £20,762,858 has been recognised as a reversal of previous upward revaluations in the revaluation reserve with the balance £16,275,790 recognised as an exceptional administrative expense in the profit and loss account.

Included within the additions is £22,514,532 which relates to assets acquired on the purchase of the Chaseregen group.

**12. Investments**

**Group**

**Total  
£**

**Cost**

At 1 January 2010	2,039,485
Additions	205
Disposals	(2,039,690)
At 31 December 2010	<u>-</u>

**Amounts provided for**

At 1 January 2010	548,464
Prior year provision written back	(548,464)
At 31 December 2010	<u>-</u>

**Net book value**

At 31 December 2010	<u>-</u>
At 31 December 2009	<u>1,491,021</u>

**Listed investments**

All listed investments held by the group were sold in the year.

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Company	Group companies	Listed investments	Total
	£	£	£
<b>Cost</b>			
At 1 January 2010	2,890,905	2,039,486	4,930,391
Additions	50,000,096	205	50,000,301
Disposals	-	(2,039,691)	(2,039,691)
At 31 December 2010	<u>52,891,001</u>	<u>-</u>	<u>52,891,001</u>
<b>Amounts provided for</b>			
At 1 January 2010	-	548,464	548,464
Provision during year	40,405,634	-	40,405,634
Prior year provision written back	-	(548,464)	(548,464)
At 31 December 2010	<u>40,405,634</u>	<u>-</u>	<u>40,405,634</u>
<b>Net book value</b>			
At 31 December 2010	<u>12,485,367</u>	<u>-</u>	<u>12,485,367</u>
At 31 December 2009	<u>2,890,905</u>	<u>1,491,022</u>	<u>4,381,927</u>

During the year £50,000,000 of the intercompany debt in the subsidiary companies was converted to share capital

The directors have assessed the carrying value of this group investment and have written down the carrying value accordingly

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**12. Investments (continued)**

The additions comprises of the nominal value of the shares issued in consideration for the acquisition of Chaseregen Ltd (formerly Chaseregen plc)

<b>Name</b>	<b>Country of incorporation</b>	<b>Holding</b>	<b>%</b>	<b>Principal activity</b>
<b>Subsidiary undertakings</b>				
Pritchard Developments (Midlands) Limited	England & Wales	Ordinary shares	100	Property Holding
Pritchard Estates (Staffs) Limited	England & Wales	Ordinary shares	100	Property Holding
Pritchard Estates (Hednesford) Limited	England & Wales	Ordinary shares	100	Dormant
Pritchard Estates (Midlands) Limited	England & Wales	Ordinary shares	100	Dormant
Pritchard Developments (Cannock) Limited	England & Wales	Ordinary shares	100	Dormant
Pritchard Properties (Midlands) Limited	England & Wales	Ordinary shares	100	Dormant
Pritchard Estates (Bridgtown) Limited	England & Wales	Ordinary shares	100	Dormant
Chaseregen Limited (Formerly Chaseregen Plc)	England & Wales	Ordinary shares	100	Property Holding
Chase-Space Limited	England & Wales	Ordinary shares	100	Property Holding
Impulse Property Developments Limited	England & Wales	Ordinary shares	100	Property Holding
Project AML Limited	England & Wales	Ordinary shares	100	Property Holding
Project CIC Limited	England & Wales	Ordinary shares	100	Property Holding
St Georges Park (Stafford) Limited	England & Wales	Ordinary shares	100	Property Holding
Castle Wharf (Stafford) Limited	England & Wales	Ordinary shares	100	Property Holding

**Listed investments**

All listed investments held by the company were sold in the year



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**13. Debtors**

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade debtors	1,321,131	1,086,287	–	–
Amounts owed by group undertakings	–	–	53,255,150	30,610,021
Other debtors	28,273,201	50,891,833	19,111,255	50,482,271
Prepayments and accrued income	150,889	–	–	–
	<u>29,745,221</u>	<u>51,978,120</u>	<u>72,366,405</u>	<u>81,092,292</u>

**14. Creditors: Amounts falling due within one year**

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loans	102,491,140	74,376,798	93,593,707	89,806,897
Trade creditors	771,768	53,244	1,267	2,260
Amounts owed to group undertakings	–	–	40,677,804	236,531
Other creditors including taxation				
Corporation tax	60,574	24,720	–	–
VAT	307,883	113,430	–	–
Other creditors	39,612,790	30,564,249	16,045	100,730
Accruals and deferred income	3,110,486	3,687,062	1,023,287	506,228
	<u>146,354,641</u>	<u>108,819,503</u>	<u>135,312,110</u>	<u>90,652,646</u>

**15. Deferred taxation**

The deferred tax liability not provided for at the year end on property revaluations is £4,324,578 (2009 - £10,468,831)

No provision has been made for deferred tax on property revaluations as it is unlikely that the unrealised gains will crystallise in the foreseeable future

**16. Derivatives**

The group had various derivatives in relation to its debt finance. The details are as follows:

<b>Type</b>	<b>Principal</b>	<b>Rate</b>	<b>Maturity date</b>
	<b>£</b>	<b>%</b>	
Interest rate swaps	71,000,000	4.49% - 5.15%	2022 to 2033
Interest rate collar	8,000,000	4.75%	2013
Interest rate cap	6,000,000	5.82%	2014

As part of the group's refinancing which was completed on 31st August 2011, the group has cancelled the above arrangements incurring a redemption fee of £20,081,150. This fee has been included within the new facilities agreed with the Group's bank and therefore has no immediate material cash flow impact.

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**17. Contingencies**

Pritchard Construction Limited, Pritchard Group plc and all of its subsidiaries, Pritchard & Associates Limited, Pritchard Management Limited and Pritchard Estates (Cannock) Limited and all of its subsidiaries provide unlimited guarantees to the company's bankers, Lloyds TSB Bank plc. The total indebtedness of these companies at 31 December 2010 was £142,854,495 (2009-£143,376,311)

The bank borrowings are secured over the assets of the above companies

**18. Related party transactions**

**Controlling entity**

The company is controlled by the directors

The company has taken advantage of the exemption in FRS 8 from disclosing transactions with all members of the Pritchard Group plc group

During the period the following transactions took place with related parties

**Purchases, interest and management charges**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Pritchard Management Limited	–	1,141
Pritchard Construction Limited	15	4,812
Pritchard Estates (Cannock) Limited	–	527
Anglesey Estates Limited	56,523	50,665
Anglesey Classic Carriage Limited	<u>1,250</u>	<u>67,500</u>

At 31 December 2010 the following were due from/(to) related parties

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Anglesey Estates Limited	15,475	(32,074)
Pritchard Developments Limited	(15,000)	3,000
Anglesey Fine Homes Limited	(2,000)	106
Anglesey Classic Carriage Limited	363,078	271,725
Pritchard Construction Limited	(9,195,793)	20,700,765
Pritchard & Associates Limited	1,163,340	2,555,680
Anglesey Estates (Hednesford) Limited	9,746	8,475
Pritchard Management Limited	(63,156)	164,371

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Anglesey Country Estates Limited	40,933	35,894
Anglesey Farm (Staffs) Limited	15,000	15,000
Pritchard Catering Limited	47,277	28,100
Shirevale Properties Limited	175,000	175,000
Anglesey Asset Management Limited	(11,040)	274,628
Anglesey Classic Storage Limited	123	3,000
C F Pritchard Property	39,798	3,000
Pritchard Holdings plc	2,268,290	2,575,000
Pritchard Estates (Cannock) Limited	(1,045)	3,000
Pritchard Hotels Limited	(110,204)	—
Pritchard Properties (Staffs) Limited	—	3,000

The amounts are included within debtors and creditors due within one year

All transactions were on normal commercial terms

**19. Share capital**

**Authorised share capital.**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
2,000,000 Ordinary shares of £0.25 each	<u>500,000</u>	<u>500,000</u>

**Allotted, called up and fully paid:**

	<b>2010</b>	<b>£</b>	<b>2009</b>	<b>£</b>
	<b>No</b>		<b>No</b>	
400,184 Ordinary shares (2009 - 399,800) of £0.25 each	<u>400,184</u>	<u>100,046</u>	<u>399,800</u>	<u>99,950</u>

During the year the company issued 384 shares with a par value of £0.25 per share, in exchange for 100% of the share capital of Chaseregen Ltd (formerly Chaseregen plc)

**20. Reserves**

<b>Group</b>	<b>Share premium account</b>	<b>Revaluation reserve</b>	<b>Merger Reserve</b>	<b>Profit and loss account</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Balance brought forward	2,838,957	37,388,683	—	9,711,982
Loss for the year	—	—	—	(55,104,911)
Other gains and losses				
- Revaluation of fixed assets	—	(20,755,692)	—	—
Other movements				
Merger reserve movement in the year	—	—	12,438	—
Balance carried forward	<u>2,838,957</u>	<u>16,632,991</u>	<u>12,438</u>	<u>(45,392,929)</u>

During the year the company acquired 100% of the share capital of Chaseregen Ltd (formerly Chaseregen plc), via a share for share exchange. The fair value of the shares issued were £12,438 and the merger reserve has been updated to reflect this

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**20. Reserves (continued)**

Company	Share premium account £	Profit and loss account £
Balance brought forward	2,838,957	(8,075,450)
Loss for the year	—	(45,322,778)
Balance carried forward	<u>2,838,957</u>	<u>(53,398,228)</u>

**21. Reconciliation of movements in shareholders' funds**

	2010 £	2009 £
Loss for the financial year	(55,104,911)	(1,194,701)
Other net recognised gains and losses	(20,755,692)	(626,479)
New ordinary share capital subscribed	96	—
Issue of shares in the year	12,438	—
Transfer from revaluation reserve	—	7,567
Transfer to profit and loss account	—	(8,193)
Net reduction to shareholders' funds	<u>(75,848,069)</u>	<u>(1,821,806)</u>
Opening shareholders' funds	50,039,572	51,861,378
Closing shareholders' (deficit)/funds	<u>(25,808,497)</u>	<u>50,039,572</u>

**22 Notes to the cash flow statement**

**Reconciliation of operating (loss)/profit to net cash outflow from operating activities**

	2010 £	2009 £
Operating (loss)/profit	(49,310,587)	3,073,565
Depreciation, impairment & revaluation	52,717,075	1,151,219
Loss/(profit) on disposal of fixed assets	88,738	(7,718)
Decrease/(increase) in debtors	22,905,824	(2,100,219)
Decrease in creditors	(26,925,259)	(2,960,540)
Net cash outflow from operating activities	<u>(524,209)</u>	<u>(843,693)</u>

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**22. Notes to the cash flow statement (continued)**

**Reconciliation of net cash flow to movement in net debt**

	2010		2009	
	£	£	£	£
Increase in cash in the period	–		67,683,226	
Net cash (inflow) from bank loans	(28,114,342)		(74,376,798)	
Change in net debt		(28,114,342)		(6,693,572)
Net debt at 1 January 2010		(74,376,798)		(67,683,226)
Net debt at 31 December 2010		(102,491,140)		(74,376,798)

**Net debt**

	At 1 January 2010 £	Cash flows £	At 31 December 2010 £
Net cash			
Debt			
Debt due within 1 year	(74,376,798)	(28,114,342)	(102,491,140)
Net debt	(74,376,798)	(28,114,342)	(102,491,140)

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**23 Acquisitions**

Pritchard Group plc purchased the 100% shareholding in Chaseregen Limited (formerly Chaseregen plc) Chaseregen Limited (formerly Chaseregen plc) is the 100% parent of Project AML Limited, Project CIC Limited, Impulse Property Developments Limited, St Georges Park (Stafford) Limited, Castle Wharf (Stafford) Limited and Chase-Space Limited

Pritchard Group plc is now the ultimate parent company of Project AML Limited, Project CIC Limited, Impulse Property Developments Limited, St George's Park (Stafford) Limited, Castle Wharf (Stafford) Limited and Chase-Space Limited

The total adjustments required to the book values of the assets and liabilities of the companies acquired in order to present the net assets of those companies at fair values in accordance with group accounting principles were £25,491,340 All of these purchases have been accounted for as acquisitions

In its last financial year to 31 December 2009, Chaseregen Limited (formerly Chaseregen plc) made a loss after tax for the financial year of £1,730,663

**Chaseregen Limited (formerly Chaseregen plc) group acquisition**

	<b>Consolidated book value</b>	<b>Revaluations</b>	<b>Fair value</b>
	£	£	£
Tangible fixed assets	48,005,872	(25,491,340)	22,514,532
Debtors	672,925	–	672,925
Creditors	(36,310,202)	–	(36,310,202)
Cash	4,390,545	–	4,390,545
Bank loans	(27,520,445)	–	(27,520,445)
<b>Net assets acquired</b>			(36,252,645)
<b>Goodwill</b>			36,265,179
<b>Consideration</b>			<u>12,534</u>
<b>Consideration satisfied by.</b>			
Cash			–
Shares in Pritchard Group plc			<u>12,534</u>

As over 90% of the consideration has been satisfied by share capital in the parent, the acquisition has been accounted for as a share for share exchange The excess of the value of the issue in shares has been taken to the merger reserve

The book value of the assets and liabilities have been taken from the financial statements of the Chaseregen Limited (formerly Chaseregen plc) group at 31 December 2009 There is no material difference between the book value of the assets and liabilities at that date and the date of acquisition

Revaluation adjustments in respect of tangible fixed assets comprise the valuation of certain investment properties No deferred tax has been recognised on fair value adjustments on property revaluations as it is unlikely that the unrealised gain will crystallise in the near future

The directors have concluded that it is not practical to calculate the impact on cash flow of the acquired entity