



Grant Thornton

Financial statements CEG Properties Limited

For the Year Ended 31 August 2008

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COMPANIES HOUSE

Company No. 2354796

Company information

Company registration number	2354796
Registered office	3rd Floor Sidney House Sussex Street CAMBRIDGE CB1 1PE
Directors	E R Armstrong F Brownlee M Stanton
Secretary	M Stanton
Bankers	National Westminster Bank PLC 23 Market Street CAMBRIDGE CB2 3PA
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditors Byron House Cambridge Business Park Cowley Road CAMBRIDGE CB4 0WZ

Index

Report of the directors	3 - 4
Report of the independent auditor	5 - 6
Principal accounting policies	7 - 8
Profit and loss account	9
Balance sheet	10
Notes to the financial statements	11 - 19

Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 August 2008.

Principal activities

The principal activities of the company during the period were the holding of assets for use by other group companies. On 23 February 2007, Cambridge Education Group Limited acquired the entire share capital of CEG Properties Limited (Formerly Cambridge Education Group Limited).

Directors

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

E R Armstrong	
F Brownlee	
M Stanton	
N P D Golding	(Resigned 31 August 2008)
M S El Mahrouki	(Resigned 29 July 2008)

Directors' responsibilities

The directors are responsible for preparing the Annual 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to 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 these 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 UK 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 that 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.

In so far as the directors are aware:

- there is no relevant audit information of which the company'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.


Auditor

Grant Thornton UK LLP have expressed their willingness to continue in office and will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

BY ORDER OF THE BOARD


M Stanton
Secretary



Report of the independent auditor to the members of CEG Properties Limited

We have audited the financial statements of CEG Properties Limited for the year ended 31 August 2008 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, 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 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

The directors' responsibilities for preparing the Report of the Directors and the financial statements in accordance with United Kingdom law and 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).

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

Basis of 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.


Report of the independent auditor to the members of CEG Properties Limited (continued)

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 August 2008 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 Report of the Directors is consistent with the financial statements.


GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

CAMBRIDGE

23 June 2009.

Principal 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 UK accounting standards.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is small.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold Property	-	10% straight line
Plant & Machinery	-	20% straight line
Fixtures & Fittings	-	20% straight line
Motor Vehicles	-	25% straight line

No depreciation is provided on freehold properties as these assets are maintained in a continual state of sound repair. Accordingly, the directors consider the useful economic lives of these assets are so long and the residual values are so high that any depreciation charges would be insignificant.

Operating lease agreements

Rentals applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor, are charged to the profit and loss account as incurred.

Pension costs

The group makes payments by way of defined contributions to the personal pension plans of certain directors and staff members. The pension charge represents the aggregate amounts payable by the group to those plans in respect of the year.

Deferred taxation

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date, except for gains on disposal of fixed assets which will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rates ruling on the transaction dates. Exchange differences are taken into account in arriving at the operating profit.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Profit and loss account

	Note	Year to 31 Aug 08 £	Period from 1 Jan 07 to 31 Aug 07 £
Turnover		—	—
Other operating charges	1	217,144	581,815
Other operating income	2	(757,889)	(413,434)
Operating profit/(loss)	3	540,745	(168,381)
Interest receivable	6	—	1,651
Interest payable and similar charges	7	(412,502)	(193,205)
Profit/(loss) on ordinary activities before taxation		128,243	(359,935)
Tax on profit/(loss) on ordinary activities	8	13,111	—
Profit/(loss) for the financial year		115,132	(359,935)

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

Balance sheet

	Note	2008 £	2007 £
Fixed assets			
Tangible assets	9	10,516,927	11,001,806
Investments	10	—	963,315
		<u>10,516,927</u>	<u>11,965,121</u>
Current assets			
Debtors	11	1,814,585	700,927
Cash at bank		545,802	847,934
		<u>2,360,387</u>	<u>1,548,861</u>
Creditors: amounts falling due within one year	13	4,488,158	8,676,277
Net current liabilities		<u>(2,127,771)</u>	<u>(7,127,416)</u>
Total assets less current liabilities		<u>8,389,156</u>	<u>4,837,705</u>
Creditors: amounts falling due after more than one year	14	6,945,000	3,508,681
		<u>1,444,156</u>	<u>1,329,024</u>
Capital and reserves			
Called-up equity share capital	20	180,500	180,500
Share premium account	21	103,612	103,612
Revaluation reserve		2,093,405	2,093,405
Profit and loss account		(933,361)	(1,048,493)
Shareholders' funds	23	<u>1,444,156</u>	<u>1,329,024</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

These financial statements were approved by the directors and authorised for issue on 23/6/09, and are signed on their behalf by:



F Brownlee
Director

Notes to the financial statements

1 Other operating charges

	Year to 31 Aug 08 £	Period from 1 Jan 07 to 31 Aug 07 £
Administrative expenses	<u>217,144</u>	<u>581,815</u>

2 Other operating income

	Year to 31 Aug 08 £	Period from 1 Jan 07 to 31 Aug 07 £
Other operating income	<u>757,889</u>	<u>413,434</u>

3 Operating profit/(loss)

Operating profit/(loss) is stated after charging:

	Year to 31 Aug 08 £	Period from 1 Jan 07 to 31 Aug 07 £
Depreciation of owned fixed assets	215,424	8,842
Auditor's remuneration:		
Audit fees	—	5,825
Accountancy fees	<u>—</u>	<u>7,696</u>

Auditor's remuneration is now borne by other group companies.

4 Directors and employees

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

	Year to 31 Aug 08 No	Period from 1 Jan 07 to 31 Aug 07 No
Teaching and administration	—	7

The aggregate payroll costs of the above were:

	Year to 31 Aug 08 £	Period from 1 Jan 07 to 31 Aug 07 £
Wages and salaries	—	370,013
Social security costs	—	44,855
Other pension costs	—	7,561
	—	422,429

5 Directors

Remuneration in respect of directors was as follows:

	Year to 31 Aug 08 £	Period from 1 Jan 07 to 31 Aug 07 £
Emoluments receivable	—	120,466
Value of company pension contributions to money purchase schemes	—	1,030
	—	121,496

The number of directors who accrued benefits under company pension schemes was as follows:

	Year to 31 Aug 08 No	Period from 1 Jan 07 to 31 Aug 07 No
Money purchase schemes	—	1

Directors' remuneration is now borne by other group companies.

6 Interest receivable

	Year to 31 Aug 08 £	Period from 1 Jan 07 to 31 Aug 07 £
Bank interest receivable	<u>—</u>	<u>1,651</u>

7 Interest payable and similar charges

	Year to 31 Aug 08 £	Period from 1 Jan 07 to 31 Aug 07 £
Interest payable on bank borrowing	412,502	14,174
Other similar charges payable	<u>—</u>	<u>179,031</u>
	<u>412,502</u>	<u>193,205</u>

8 Taxation on ordinary activities

(a) Analysis of charge in the year

	Year to 31 Aug 08 £	Period from 1 Jan 07 to 31 Aug 07 £
Current tax:		
UK Corporation tax based on the results for the year at 29.16% (2007 - 30%)	89,439	—
Total current tax	<u>89,439</u>	<u>—</u>
Deferred tax:		
Origination and reversal of timing differences	(76,328)	—
Tax on profit/(loss) on ordinary activities	<u>13,111</u>	<u>—</u>

8 Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 29.16% (2007 - 30%).

	Year to 31 Aug 08 £	Period from 1 Jan 07 to 31 Aug 07 £
Profit/(loss) on ordinary activities before taxation	<u>128,243</u>	<u>(359,935)</u>
Profit/(loss) on ordinary activities by rate of tax	37,396	(107,981)
Expenses not deductible for tax purposes	57,578	12,382
Capital allowances for period in excess of depreciation	(1,822)	(54,319)
Unrelieved tax losses	-	71,390
Other timing differences	5	8,700
Group relief	(93,157)	69,828
Payment for group relief	<u>89,439</u>	-
Total current tax (note 8(a))	<u>89,439</u>	<u>-</u>

9 Tangible fixed assets

	Freehold Property £	Leasehold Property £	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost or valuation						
At 1 Sep 2007	8,688,841	2,079,679	250,297	129,133	39,284	11,187,234
Additions	3,454	22,513	-	-	-	25,967
Disposals	-	-	-	-	(39,284)	(39,284)
Transfers	-	-	(250,297)	(129,133)	-	(379,430)
At 31 Aug 2008	<u>8,692,295</u>	<u>2,102,192</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,794,487</u>
Depreciation						
At 1 Sep 2007	-	62,136	30,623	53,385	39,284	185,428
Charge for the year	-	215,424	-	-	-	215,424
On disposals	-	-	-	-	(39,284)	(39,284)
Transfers	-	-	(30,623)	(53,385)	-	(84,008)
At 31 Aug 2008	<u>-</u>	<u>277,560</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>277,560</u>
Net book value						
At 31 Aug 2008	<u>8,692,295</u>	<u>1,824,632</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,516,927</u>
At 31 Aug 2007	<u>8,688,841</u>	<u>2,017,543</u>	<u>219,674</u>	<u>75,748</u>	<u>-</u>	<u>11,001,806</u>

Freehold land and buildings in Canterbury and Cambridge were revalued on 21 September 2006 and 19 September 2006 by Messrs Savills RICS and Messrs Bidwells RICS respectively. The basis of the valuation used was open market value viewed within the context of existing permitted use. The surplus has been transferred to the revaluation reserve.

10 Investments

	Investments in Group Undertakings £	Listed Investments £	Total £
Cost			
At 1 September 2007	1,593,572	1,802	1,595,374
Disposals	(1,593,572)	(1,802)	(1,595,374)
At 31 August 2008	-	-	-
Amounts written off			
At 1 September 2007	632,059	-	632,059
Written off in prior years written back	(632,059)	-	(632,059)
At 31 August 2008	-	-	-
Net book value			
At 31 August 2008	-	-	-
At 31 August 2007	961,513	1,802	963,315

Listed investments

Listed investments having a net book value of £Nil (2007 - £1,802) are held by the company and had a market value of £Nil at the end of the year (2007 - £2,820).

Group Undertakings

11 Debtors

	2008 £	2007 £
Amounts owed by group undertakings	1,719,402	634,542
Prepayments and accrued income	18,855	66,385
Deferred taxation (note 12)	76,328	-
	<u>1,814,585</u>	<u>700,927</u>

12 Deferred taxation

The deferred tax included in the Balance sheet is as follows:

	Year to 31 Aug 08 £	Period from 1 Jan 07 to 31 Aug 07 £
Included in debtors (note 11)	<u>76,328</u>	<u>-</u>

The movement in the deferred taxation account during the year was:

	Year to 31 Aug 08 £	Period from 1 Jan 07 to 31 Aug 07 £
Profit and loss account movement arising during the year	<u>76,328</u>	<u>-</u>
Balance carried forward	<u>76,328</u>	<u>-</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2008 £	2007 £
Excess of depreciation over taxation allowances	<u>76,328</u>	<u>-</u>

13 Creditors: amounts falling due within one year

	2008 £	2007 £
Bank loans	-	323,188
Trade creditors	-	8,863
Amounts owed to group undertakings	4,356,961	7,975,671
Other taxation and social security	-	45,638
Accruals and deferred income	<u>131,197</u>	<u>322,917</u>
	<u>4,488,158</u>	<u>8,676,277</u>

Bank loans and overdrafts are secured by a fixed and floating charge over the property and assets of the company.

14 Creditors: amounts falling due after more than one year

	2008 £	2007 £
Bank loans and overdrafts	<u>6,945,000</u>	<u>3,508,681</u>

Bank loans and overdrafts are secured by a fixed and floating charge over the property and assets of the company.

14 Creditors: amounts falling due after more than one year (continued)

The following aggregate liabilities disclosed under creditors falling due after more than one year are due for repayment after more than five years from the balance sheet date:

	2008 £	2007 £
Bank loans and overdrafts	<u>5,152,742</u>	<u>2,215,929</u>

Bank loans falling due in greater than five years are repayable in instalments and attract interest at Royal Bank of Scotland Plc's base rate plus 1.5% plus the carrying cost of 10 year swap cover.

15 Creditors - capital instruments

Creditors include finance capital which is due for repayment as follows:

	2008 £	2007 £
Amounts repayable:		
In one year or less or on demand	—	323,188
In more than one year but not more than two years	179,226	323,188
In more than two years but not more than five years	1,613,032	969,564
In more than five years	<u>5,152,742</u>	<u>2,215,929</u>
	<u>6,945,000</u>	<u>3,831,869</u>

16 Derivatives

The company has entered into an interest rate swap arrangement to mitigate the risks associated with its variable rate borrowings. At 31 August 2008, the fair value of this arrangement is considered to be a liability of £129,089, (2007: asset of £48,179).

17 Leasing commitments

At 31 August 2008 the company had annual commitments under non-cancellable operating leases as set out below.

	2008		2007	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Operating leases which expire:				
Within 2 to 5 years	-	-	18,500	3,000
After more than 5 years	-	-	323,740	-
	<u>-</u>	<u>-</u>	<u>342,240</u>	<u>3,000</u>

18 Contingent assets/liabilities

A cross guarantee agreement has been entered into with the Group's bankers, National Westminster Bank Plc, whereby all positive balances that exist within the group headed by Cambridge Education Group Limited (the ultimate parent undertaking), or any of its subsidiaries, may be called upon to secure or repay any net bank indebtedness. At 31 August 2008 there was group indebtedness of £4,003,056 (31 August 2007 - £3,234,485).

19 Related party transactions

As a wholly-owned subsidiary of Cambridge Education Group Limited, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group on the grounds that accounts are publicly available from Companies House.

20 Share capital

Authorised share capital:

	2008 £	2007 £
13,800,000 Ordinary shares of 1p each shares of £0.01 each	138,000	138,000
4,250,000 'A' Ordinary shares of 1p each shares of £0.01 each	42,500	42,500
2,010,000 'B' Ordinary shares of 1p each shares of £0.01 each	20,100	20,100
	<u>200,600</u>	<u>200,600</u>

Allotted, called up and fully paid:

	2008		2007	
	No	£	No	£
Ordinary shares of 1p each shares of £0.01 each	13,800,000	138,000	13,800,000	138,000
'A' Ordinary shares of 1p each shares of £0.01 each	4,250,000	42,500	4,250,000	42,500
	<u>18,050,000</u>	<u>180,500</u>	<u>18,050,000</u>	<u>180,500</u>

21 Share premium account

There was no movement on the share premium account during the financial year.

22 Profit and loss account

	Year to 31 Aug 08 £	Period from 1 Jan 07 to 31 Aug 07 £
Balance brought forward	(1,048,493)	(688,558)
Profit/(loss) for the financial year	115,132	(359,935)
Balance carried forward	<u>(933,361)</u>	<u>(1,048,493)</u>

23 Reconciliation of movements in shareholders' funds

	2008 £	2007 £
Profit/(Loss) for the financial year	115,132	(359,935)
Opening shareholders' funds	1,329,024	1,688,959
Closing shareholders' funds	<u>1,444,156</u>	<u>1,329,024</u>

24 Ultimate parent company

The ultimate parent undertaking is Cambridge Education Group Limited, a company incorporated in England and Wales.