

Company Registration No. 03898254

Cambian Heritage II Limited

Report and Financial Statements

31 December 2012

TUESDAY



A2F577KJ

A09

20/08/2013

#27

COMPANIES HOUSE

Cambian Heritage II Limited

Report and financial statements 2012

Contents	Page
Officers and professional advisers	1
Directors' report	2
Directors' responsibilities statement	4
Independent auditor's report	5
Profit and loss account	6
Statement of total recognised gains and losses	7
Note of historical cost profits and losses	7
Balance sheet	8
Notes to the financial statements	9

Cambian Heritage II Limited

Report and financial statements 2012

Officers and professional advisers

Directors

M S Asaria
M McQuaid
S Merali
T Romero

Secretary

T&H Secretarial Services Limited

Registered Office

3 Bunhill Row
London
EC1Y 8YZ

Auditor

Deloitte LLP
Chartered Accountants
St Albans
United Kingdom

Cambian Heritage II Limited

Directors' report

The directors present their report together with the audited financial statements for the year ended 31 December 2012

Principal activities and future developments

The company's principal activities are the generation of rental income and capital growth through development of and investment in, fit for purpose, well designed, high quality properties used in the specialist education sector

Review of the business

The profit and loss account of the company is set out on page 6

Turnover for the year was £7.7m (2011 £7.6m) and the company made a profit on ordinary activities before taxation of £5.6m (2011 £5.1m). The company's properties were revalued as at 31 December 2012 based on an external valuation performed, referred to in note 7, resulting in an unrealised deficit on revaluation of £30.6m being taken to the revaluation reserve. The directors believe that the revaluation accurately reflects the fair value of the company's property portfolio at the balance sheet date.

The directors do not recommend the payment of a dividend (2011 £Nil)

There have been no events since the balance sheet date which materially affect the position of the company

Principal risks and uncertainties

The principal risk to the business relates to the tenant not paying rents in line with the terms of the lease. The company does not foresee any potential risks with regards to the payment of rent.

Financial risk management objectives and policies

Credit risk

The Company's principal financial assets are tangible fixed assets, bank balances and group loans. Cash is only deposited with major financial institutions. Credit risk is considered to be insignificant.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance. The company prepares and monitors a cash flow forecast which reflects known commitments and ensures financial instruments are arranged as necessary to facilitate the requirements.

Directors

The following directors have held office since 1 January 2012

M S Asaria
M J McQuaid
S Merali
T Romero

Cambian Heritage II Limited

Directors' report

Going concern

The directors have a reasonable expectation that the company has sufficient funds available to it from the parent company to continue in operational existence for the foreseeable future. A letter of support has been obtained from the parent company to support this assessment. Thus the accounts continue to be prepared on a going concern basis as outlined in note 1 to the financial statements

Auditor

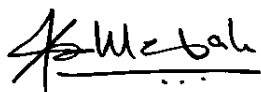
Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue in office as auditor and arrangements will be made for them to be deemed reappointed as auditor under the Companies Act 487 (2) unless the members exercise their rights to prevent reappointment

Approved by the Board of Directors
and signed on behalf of the Board



S Merali
Director

16th May 2013

Cambian Heritage II Limited

Directors' responsibilities statement

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 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 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, and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions 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 2006. 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.

Independent auditor's report to the members of Cambian Heritage II Limited

We have audited the financial statements of Cambian Heritage II Limited for the year ended 31 December 2012 which comprise the profit and loss account, the balance sheet and the related notes 1 to 18. 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).

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, the directors are responsible for the preparation of the 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 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 company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit 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 matters prescribed in the Companies Act 2006

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

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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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.



Paul Schofield, FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
St Albans, United Kingdom

Date 17 May 2013

Cambian Heritage II Limited

Profit and loss account

Year ended 31 December 2012

	Notes	2012 £	2011 £
Turnover	2	7,729,784	7,587,863
Administrative expenses		<u>(3,192,873)</u>	<u>(3,118,395)</u>
Operating profit	3	4,536,911	4,469,468
Interest receivable and similar income	4	1,410,621	1,685,518
Interest payable and similar charges	5	<u>(338,442)</u>	<u>(1,047,007)</u>
Profit on ordinary activities before taxation		5,609,090	5,107,979
Tax on profit on ordinary activities	6	<u>(2,171,041)</u>	<u>(2,110,271)</u>
Profit on ordinary activities after taxation	14	<u>3,438,049</u>	<u>2,997,708</u>

The profit and loss account has been prepared on the basis that all operations are continuing operations

Cambian Heritage II Limited

Statement of total recognised gains and losses Year ended 31 December 2012

	2012	2011
Notes	£	£
Profit for the financial year	3,438,049	2,997,708
Revaluation for the year	(30,642,096)	3,341,822
Total recognised (deficit)/surplus for the year	<u>(27,204,047)</u>	<u>6,339,530</u>

Note of historical cost profits and losses Year ended 31 December 2012

	2012	2011
	£	£
Profit on ordinary activities before taxation	5,609,090	5,107,979
Difference between an historical cost depreciation charge and the actual depreciation charge for the year	2,047,372	2,660,214
Historical cost profit on ordinary activities before taxation	<u>7,656,462</u>	<u>7,768,193</u>
Retained historical cost profit for the year after taxation	<u>5,485,421</u>	<u>5,657,922</u>

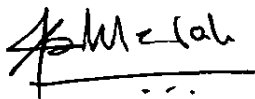
Cambian Heritage II Limited

Balance sheet 31 December 2012

	Notes	2012 £	2011 £
Fixed assets			
Tangible assets	7	104,132,034	137,791,398
Current assets			
Debtors	8	30,578,924	21,785,803
Cash at bank and in hand		3,861	60,098
		<u>33,582,785</u>	<u>21,845,901</u>
Creditors: amounts falling due within one year	9	<u>(22,653,187)</u>	<u>(19,433,853)</u>
Net current assets		<u>7,929,598</u>	<u>2,412,048</u>
Total assets less current liabilities		112,061,632	140,203,446
Creditors: amounts falling due after more than one year	10	(334,361)	(1,206,698)
Provisions for liabilities and charges	11	<u>(308,815)</u>	<u>(374,245)</u>
Net assets		<u>111,418,456</u>	<u>138,622,503</u>
Capital and reserves			
Called up share capital	12	13,200	13,200
Revaluation reserve	13	102,368,598	133,010,694
Profit and loss account	14	<u>9,036,658</u>	<u>5,598,609</u>
Shareholders' funds	15	<u>111,418,456</u>	<u>138,622,503</u>

The financial statements of Cambian Heritage II Limited, registered number 03898254 were approved by the Board of Directors on 16th May 2013

Signed on behalf of the Board of Directors



S Merali
Director

Cambian Heritage II Limited

Notes to the financial statements Year ended 31 December 2012

1. Accounting policies

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards, which have been applied consistently

Going concern

The company is dependant for its working capital on funds provided to it by Cambian Holdings Limited, a shareholder of the company registered in Jersey. Cambian Holdings Limited has provided the company with an undertaking that for at least twelve months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Based on this undertaking, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Turnover

Turnover for the provision of rental services is recognised rateably over the period of the lease.

Tangible fixed assets and depreciation

Freehold land and buildings are carried at fair value, based on periodic valuations by a professionally qualified valuer or director's assessment in accordance with the guidance set out in FRS 15. Any aggregate surplus or deficit arising on revaluation is transferred to the revaluation reserve except where a shortfall against original cost is deemed to represent a permanent diminution in value in which case it is written off to the profit and loss account. All other tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings	2% on a straight line basis
Fixtures, fittings and equipment	20-25% on a straight line basis
Motor vehicles	20% on a straight line basis

Following a revaluation in accordance with FRS15 the company eliminates any accumulated depreciation at the date of the valuation which is credited to the revaluation reserve.

Capitalised finance costs

Costs relating to the raising of loan facilities are amortised over the estimated life of the loans and charged to the profit and loss account as part of interest expense. The bank loans are disclosed net of unamortised loan issue costs.

Operating lease incentives

Lease payments for operating leases where substantially all the risk and benefits remain with the lessor, are charged to the profit and loss account in a straight-line basis over the term of the lease.

Reverse premiums and similar incentives received to enter into operating lease agreements are released to the profit and loss account over the period to the date of which the rent is first expected to be adjusted to the prevailing market rate.

Cambian Heritage II Limited

Notes to the financial statements Year ended 31 December 2012

1. Accounting policies (continued)

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. 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 tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from the future reversal of underlying timing differences can be deducted.

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of those assets concerned. However, no provision is made where on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax is measured at the rates that are expected to apply in the periods in which the timing difference are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Cashflow statement

A consolidated cashflow is published in the group accounts of Cambian Holdings Limited, within which the company is included. The company is therefore exempt under FRS1 from publishing its own cashflow statement.

Bank borrowings

The bank loans are secured on fixed and floating charges on the company assets directly and by way of a cross guarantee. The bank loans are with HBOS, the average interest rate is 2.54% (2011: 2.70%) and the loans are repayable in instalments over the period to 2015.

2. Turnover

The total turnover of the company for the year has been derived from its principal activity which is wholly undertaken in the United Kingdom.

3. Operating profit

	2012 £	2011 £
Operating profit is stated after charging		
Depreciation of tangible assets	3,190,237	3,113,609
Fees payable to the company's auditor for the annual accounts	2,425	4,331

The company has no employees and the directors are remunerated by other group companies.

Cambian Heritage II Limited

Notes to the financial statements Year ended 31 December 2012

4 Interest receivable and similar income

	2012 £	2011 £
Interest receivable from group undertakings	1,410,621	1,685,518

5 Interest payable and similar charges

	2012 £	2011 £
On bank loans and overdrafts	22,855	41,730
Interest payable to group undertakings	315,587	1,005,277
	338,442	1,047,007

6 Taxation

	2012 £	2011 £
UK corporation tax		
Current tax on profits for the year	2,153,532	1,943,564
Adjustment in respect of previous periods	82,942	76,047
Current tax charge	2,236,474	2,019,611
Deferred tax		
Origination and reversal of timing differences (see note 11)	(24,506)	156,003
Effect of decrease in tax rate on opening liability	(28,987)	(17,460)
Prior year deferred tax	(11,940)	(47,883)
	2,171,041	2,110,271

Cambian Heritage II Limited

Notes to the financial statements Year ended 31 December 2012

6. Taxation (continued)

The tax assessed for the period is higher than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2012 £	2011 £
Profit on ordinary activities before taxation	5,609,090	5,107,979
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 24.5% (2011: 26.5%)	1,374,227	1,353,266
Effects of:		
Expenses not deductible for tax	753,204	775,677
Depreciation in excess of capital allowances	26,101	(185,379)
Adjustment in respect of previous periods	82,942	76,047
	862,247	666,345
Current tax charge	2,236,474	2,019,611

In March 2011, the UK Government announced a reduction in the standard rate of UK corporation tax to 26% effective 1 April 2011. This rate reduction was substantively enacted in March 2011.

In March 2012, the UK Government announced the main rate of UK corporation tax would reduce to 24% with effect from 1 April 2012, with subsequent 1% reductions annually by 22% by April 2014. These changes have not yet been substantively enacted.

Cambian Heritage II Limited

Notes to the financial statements Year ended 31 December 2012

7. Tangible fixed assets

	Land and buildings £	Fixture, fittings and equipment £	Motor vehicles £	Total £
Valuation				
At 1 January 2012	137,262,070	2,099,703	55,541	139,417,314
Additions	71,680	101,289	-	172,969
Reclassification	301,532	(301,532)	-	-
Revaluation for the year	(33,694,636)	-	-	(33,694,636)
At 31 December 2012	103,940,646	1,899,460	55,541	105,895,647
Depreciation				
At 1 January 2012	-	1,570,375	55,541	1,625,916
Charge for the year	3,052,540	137,697	-	3,190,237
Revaluation for the year	(3,052,540)	-	-	(3,052,540)
At 31 December 2012	-	1,708,072	55,541	1,763,613
Net book value				
At 31 December 2012	103,940,646	191,388	-	104,132,034
At 31 December 2011	137,262,070	529,328	-	137,791,398

The freehold properties were valued as at 31 December 2012 by an External Valuer, Knight Frank LLP. The valuations were in accordance with the requirements of the RICS Valuation – Professional Standards. The valuation of the trading properties was on the basis of Existing Use Value as owner occupied properties and as individual assets before any allowance for head office costs. The development site was valued to Market Value. The Valuer's opinion of value was primarily derived using comparable recent market transactions on arm's length terms and using appropriate valuation techniques.

The deficit arising on the current year revaluation of £30,642,096 has been debited to the revaluation reserve.

During the year, the company received £8,062,552 (2011: £7,587,663) from operating lease rentals of property assets.

Cambian Heritage II Limited

Notes to the financial statements Year ended 31 December 2012

8. Debtors

	2012 £	2011 £
Amounts owed by group undertakings	30,408,991	21,506,166
Other debtors	169,933	279,637
	<u>30,578,924</u>	<u>21,785,803</u>

All amounts shown under debtors fall due for payment within one year. Amounts due from group undertakings are repayable on demand.

9. Creditors: amounts falling due within one year

	2012 £	2011 £
Bank loans (secured) and overdrafts	173,679	241,224
Trade creditors	-	136,546
Amounts owed to group undertakings	20,436,659	16,997,466
Accruals and deferred income	2,042,849	2,058,617
	<u>22,653,187</u>	<u>19,433,853</u>

All other amounts due to group undertakings are repayable on demand.

10 Creditors: amounts falling due after more than one year

	2012 £	2011 £
Bank loans (secured)	334,361	1,206,698
Repayable between one and two years	173,679	241,224
Repayable between two and five years	160,682	965,474
Repayable after five years	-	-
	<u>334,361</u>	<u>1,206,698</u>

The bank loans are secured on fixed and floating charges on the company assets directly and by way of a cross guarantee.

The bank loans are with HBOS, the average interest rate is 2.54% (2011: 2.70%) and the loans are repayable in instalments over the period to 2015.

Cambian Heritage II Limited

Notes to the financial statements Year ended 31 December 2012

11. Provisions for liabilities and charges

Deferred tax liability

	2012 £	2011 £
Balance at 1 January 2012	374,245	283,588
Charge for year	(24,506)	156,003
Effect of tax rate on opening assets	(28,984)	(17,463)
Adjustment in respect of previous periods	(11,940)	(47,883)
Balance at 31 December 2012	<u>308,815</u>	<u>374,245</u>

The deferred tax liability is made up as follows

	2012 £	2011 £
Accelerated capital allowances	<u>308,815</u>	<u>374,245</u>

12. Share capital

	2012 £	2011 £
Allotted, called up and fully paid		
264 Ordinary shares of £50 each	<u>13,200</u>	<u>13,200</u>

There were no changes during the year in the authorised share capital or the issued share capital

13. Revaluation reserve

	2012 £	2011 £
Balance at 1 January 2012	133,010,694	129,668,872
Revaluation for the year	(30,642,096)	3,341,822
Balance at 31 December 2012	<u>102,368,598</u>	<u>133,010,694</u>

Cambian Heritage II Limited

Notes to the financial statements Year ended 31 December 2012

14. Profit and loss account

	2012 £	2011 £
Balance at 1 January 2012	5,598,609	2,600,901
Retained result for the year	3,438,049	2,997,708
Balance at 31 December 2012	<u>9,036,658</u>	<u>5,598,609</u>

15. Reconciliation of movements in shareholders' funds

	2012 £	2011 £
Total recognised (deficit)/gains for the year	(27,204,047)	6,339,530
Net addition to shareholders' funds	(27,204,047)	6,339,530
Opening shareholders' funds	138,622,503	132,282,973
Closing shareholders' funds	<u>111,418,456</u>	<u>138,622,503</u>

16. Related party transactions

As the company is a wholly owned subsidiary of Cambian Holdings Limited, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Cambian Holdings Limited, within which this company is included, can be obtained from PO Box 521, 9 Burrard Street, St Helier, Jersey, JE4 5UE

Certain subsidiary undertakings have provided cross guarantees to other group companies in respect of external loan facilities. At 31 December 2012 guarantees outstanding amounted to £92,190,986 (2011 £105,237,515)

17. Capital commitments

As at 31 December 2012 the company had capital commitments in respect to the development of properties amounting to £Nil (2011 £560,576)

18. Control

The immediate parent company is Cambian Heritage I Limited, a company registered in England and Wales. This is a wholly owned subsidiary of Cambian Holdings Limited, which is the smallest and largest group undertaking for which group accounts are drawn up, and is a company registered in Jersey. The registered office is at 9 Burrard Street, St Helier, Jersey, JE4 5UE

The ultimate controlling party is Cambian Holdings LLC, incorporated in Delaware, USA