

Escafeld Estates Ltd

Directors' report and financial
statements for the 11 month period
ended 31 July 2005

Registered number 04264833



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Directors' report

The directors present their annual report and the audited financial statements for the eleven months to 31st July 2005.

Principal activities

The principal activity of the company is the sale of residential property formerly owned by The University of Sheffield.

Business review

The company made a profit on ordinary activities before taxation of £949,980 in the year. However, after payment of a gift aid donation of £1,822,977 to the University of Sheffield the company made a final loss of £872,997 for the year.

The sale of properties will be phased over a five year period and it is anticipated that all disposals will have completed by the end of 2009.

Post balance sheet events

There were no post balance sheet events.

Proposed dividend

The trading results for the period, and the company's financial position at the end of the period are shown in the attached financial statements. The directors do not recommend the payment of a dividend.

Share issues

During the period 999 £1 ordinary shares were issued and fully paid.

Directors and directors' interests

The directors who held office during the period were as follows:

Ms C Warr (appointed 2 September 2004)

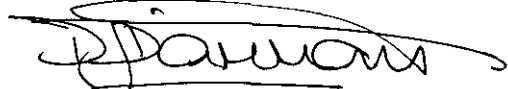
Miss D J Damment (appointed 2 September 2004)

None of the directors held shares in the company as at the 31st July 2005

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



Deborah J Damment
Director

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP

1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

Report of the independent auditors to the members of Escafeld Estates Limited

We have audited the financial statements on pages 5 to 12.

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 auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 July 2005 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

24 February 2006

Profit and loss account
period ended 31 July 2005

	<i>Note</i>	2005 £	2004 £
Turnover	2	2,521,380	-
		<hr/>	<hr/>
Cost of sales		2,779,033	-
		<hr/>	<hr/>
Gross loss		(257,653)	-
Administrative expenses		2,174,750	-
		<hr/>	<hr/>
Operating loss		(2,432,403)	-
Other Income	3	3,151,620	-
Other interest receivable and similar income		16,554	-
Release from merger reserve	12	214,209	-
		<hr/>	<hr/>
Profit on ordinary activities before taxation	4	949,980	-
Gift aid payment		(1,822,977)	-
Tax on profit on ordinary activities	6	-	-
		<hr/>	<hr/>
Loss on ordinary activities after taxation		(872,997)	-
		<hr/>	<hr/>

All activities were generated by continuing operations.

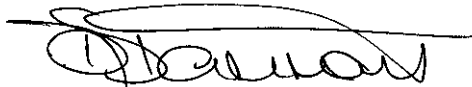
There were no gains and losses other than those recognised in the profit and loss account for the period.

Balance sheet
at 31st July 2005

	Note	2005 £	2005 £	2004 £	2004 £
Fixed assets					
Tangible assets			-		-
			-		-
Current assets					
Stock	7	43,920,148		-	
Debtors and prepayments	8	3,284,699		-	
Investments		2,719,355		-	
Cash at bank and in hand		114,353		-	
		50,038,555		-	
Creditors: amounts falling due within one year	9	(4,885,611)		-	
Net assets			45,152,944		-
Capital and reserves					
Called up share capital	10		1,000		-
Share Premium	11		41,950,559		-
Merger reserve	12		4,074,382		-
Profit and loss account	13		(872,997)		-
Shareholders' funds			45,152,944		-

These financial statements were approved by the board of directors on 24 February 2006 and were signed on its behalf by :

Deborah J Damment
Director



Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements except as noted below.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under Financial Reporting Standard 1 (revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Going Concern

The accounts have been prepared on a going concern basis which the directors believe to be appropriate. The company's immediate parent undertaking has indicated that it will continue to provide the company with support for the 12 months from the date of approval of these financial statements.

Deferred taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Stock

Stock comprises of residential property for the purpose of resale and is valued at the lower of cost and net realisable value.

2 Turnover

Turnover is attributable to the principal activity of the company.

3 Other income

Other income relates to rental income on student properties.

4 Profit on ordinary activities before taxation

	2005 £	2004 £
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	3,525	-
Other services - fees paid to the auditor and its associates	6,962	-

5 Remuneration of directors

The directors received no emoluments in respect of their services to the company during the year (2004: nil).

6 Taxation on profit on ordinary activities

Analysis of charge in period

	2005 £000	2005 £000	2004 £000	2004 £000
<i>UK corporation tax</i>				
Current tax on income for the period	-		-	
Adjustments in respect of prior periods	-		-	
	<hr/>		<hr/>	
	-			
 Total current tax		<hr/>		<hr/>
		-		-
 Deferred tax		<hr/>		<hr/>
		-		-
 Tax on profit on ordinary activities		<hr/>		<hr/>
		-		-

Deferred taxation:

No provision has been made for deferred tax. The total amount un-provided at 31st July 2005 is £8,703,366 (2004 Nil). No liability is expected to crystallise in the future.

Analysis of amounts un-provided

	2005 £000	2004 £000
Chargeable gains on appropriation to stock	8,730,366	-
Total un-provided	8,730,366	-

The Company acquired its property portfolio from its parent, the University Of Sheffield ("The University"), by intra-group transfer on 20 September 2004. The properties were acquired at market value on the transfer date and immediately appropriated to stock. The Company has elected under Section 161 TCGA 1992 that, for the purposes of calculating the Company's trading profits chargeable to corporation tax, the chargeable gains arising on the appropriation of the properties to stock will be recognised on the sale to a third party purchaser in the accounting period in which a sale takes place.

The Company has signed a Deed of Covenant for the benefit of The University the effect of which is that the Company's chargeable profits, as adjusted for taxation, are payable in full to The University within a nine month period from the end of the Company's accounting period. The covenanted payment will reduce the Company's chargeable profits to Nil in any accounting period and no liability to corporation tax will therefore arise on the Company's trading profits. The chargeable gains on the appropriation to stock will be included in the annual covenanted payment to The University and therefore no provision for deferred taxation is required.

Factors affecting the tax charge for the current period.

Current tax on income for the period is lower than the standard rate of corporation tax in the UK (30%: 2004 30%). The differences are explained below.

	2005 £	2004 £
<i>Current tax reconciliation</i>		
Profit / (loss) on ordinary activities before tax	(872,997)	-
Current tax at 30%	(261,899)	-
<i>Effects of:</i>		
Expenses not deductible for tax purposes	-	-
Chargeable gains realised on sale of stock	326,161	-
Release of merger reserve	(64,262)	-
Deed of covenant provided	546,893	-
Deed of covenant paid within 9 months	(546,893)	-
Total current tax charge (see above)	-	-

7	Stock	2005	2004
		£	£
	Goods for resale	43,920,148	-
		<hr/>	<hr/>
8	Debtors	2005	2004
		£	£
	Trade debtors	-	-
	Amounts owed by group undertakings	3,151,620	
	Prepayments	133,079	
		<hr/>	<hr/>
		3,284,699	-
		<hr/>	<hr/>
9	Creditors: amounts falling due within one year	2005	2004
		£	£
	Trade Creditors		
	Amounts owed to group undertakings	2,485,275	
	Accruals and deferred income	2,400,336	
		<hr/>	<hr/>
		4,885,611	
		<hr/>	<hr/>
10	Called up share capital	2005	2004
		£	£
	<i>Authorised</i>		
	Equity: 1000 Ordinary shares of £1 each	1,000	1,000
		<hr/>	<hr/>
		1,000	1,000
		<hr/>	<hr/>
	<i>Allotted, called up and fully paid</i>		
	Equity: 1000 Ordinary shares of £1 each	1,000	-
		<hr/>	<hr/>
	<i>Allotted, called up and unpaid</i>		
	Equity: 1 Ordinary shares of £1	-	1
		<hr/>	<hr/>
		1,000	1
		<hr/>	<hr/>

During the period 999 £1 ordinary shares were issued and the unpaid share became fully paid.

11 Share premium

	2005
	£
Balance brought forward	-
Premium on allocation of shares during the period	41,950,559
	<hr/>
Balance carried forward	41,950,559
	<hr/>

12 Merger reserve

	2005
	£
Balance brought forward	-
Additions to merger reserve for the period	4,288,591
Release from merger reserve for the period	(214,209)
	<hr/>
Balance carried forward	4,074,382
	<hr/>

13 Profit and loss account reserve

	2005
	£
Balance brought forward	-
Accumulated loss for the period	872,997
	<hr/>
Balance carried forward	872,997
	<hr/>

14 Related party disclosure

As a wholly owned subsidiary of The University of Sheffield, the company is exempt from the requirements of FRS 8 to disclose transactions and balances with other members of the group headed by The University of Sheffield. The directors consider that the ultimate parent undertaking and controlling related party of this company is The University of Sheffield, by virtue of its 100% shareholding in this company.

15 Reconciliation of movements in shareholders' funds

	2005	2004
	£	£
Loss for the period	(872,997)	-
New equity share capital subscribed	999	-
Premium on new share capital subscribed	41,950,559	-
Merger reserve	4,074,382	-
	<hr/>	<hr/>
Net addition to funds	45,152,943	-
Opening shareholders' equity funds	1	-
	<hr/>	<hr/>
	45,152,944	-
	<hr/>	<hr/>

16 Capital Commitments

The company had no outstanding capital commitments at the period end (2004:nil).

17 Ultimate Parent Company

The company is a wholly owned subsidiary undertaking of the University of Sheffield. The consolidated accounts of this group may be obtained from the University of Sheffield, Firth court, West Bank, Sheffield, S10 2TN.

Debtor and Creditor positions

UoS owes Escafeld

£

Rent of properties to 31/07/05	3,151,620.12
Rent of properties to 31/10/05	1,135,657.00
Rent of properties to 31/01/06 (est)	1,050,000.00

5,337,277.12

Escafeld owes UoS

Gift Aid to 31/07/05	1,822,977.00
Commission Aug/Sep/Oct	12,837.50
Commission Nov/Dec/Jan	14,267.93
Proper maintenance costs to 31/07/05	2,065,914.36
Proper maintenance costs to 31/10/05	459,585.16
Proper maintenance costs to 31/01/06 (est)	450,000.00
Costs that UoS incurred on behalf of Escafeld to 31/07	304,731.85
Costs that UoS incurred on behalf of Escafeld to 31/10	21,196.99

5,151,510.79

Net amount owing to Escafeld

185,766.33