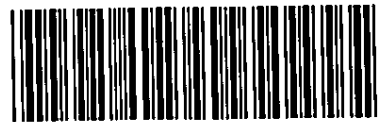


# **Escafeld Estates Ltd**

Directors' report and financial  
statements for the year  
ended 31 July 2008

Registered number 04264833

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## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31<sup>st</sup> July 2008.

### **Principal activities**

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

### **Business review**

#### ***Principal risks and uncertainties***

The nature of the company's principal activity dictates that fluctuations in the housing market will affect prices received for housing stock. The price received for individual properties will be determined by house prices in the local market.

#### ***Review of the year***

The company made a profit for the year in line with expectations of £734,012 (2007 £2,363,551). However after payment of a gift aid donation of £3,377,003 (2007 £9,147,875) to the University of Sheffield the company made a final loss of £2,642,991 (2007 £6,784,324).

#### ***Financial Key Performance Indicators***

The company has made a Gross Margin on sales of properties of -7.7% (2007 -0.7%). After Merger reserve release of £54,028 (2007 £1,467,154) the Gross Margin was -6.3% (2007 10.4%)

Cash invested at 31 July 2008 was £12,221,924 (2007 £12,728,171)

Property stocks at 31 July 2008 were £16,013,513 (2007 £19,911,736).

### **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.

### **Directors and directors' interests**

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

C Warr  
D J Damment

None of the directors held shares in the company or any group companies as at the 31<sup>st</sup> July 2008

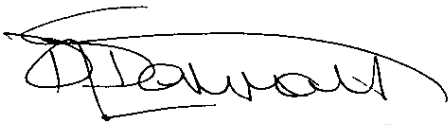
### **Auditors**

In accordance with Section 384 of the Companies Act 1985, a resolution for the appointment of auditors for the 2008/09 financial year is to be proposed at the forthcoming Annual General Meeting.

### **Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the board

A handwritten signature in black ink, appearing to read 'D J Damment', written over a horizontal line.

**D 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

St James' Square  
Manchester  
M2 6DS  
United Kingdom

### **Independent auditors report to the members of Escafeld Estates Limited**

We have audited the company financial statements for the year ended 31 July 2008 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and related notes. 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 Directors' Report and the financial statements in accordance with applicable law and Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Directors Responsibilities on page 2.

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

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

We read the Directors Report and consider the implications for our report if we become aware of any apparent misstatement 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.

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 UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 July 2008 and of the Company's loss for the year then ended;
- have been properly prepared in accordance with the Companies Act 1985.
- the information given in the Directors' report is consistent with the financial statements.

KPMG LLP  
St James' Square  
Manchester M2 6DS  
21 May 2009

**Profit and loss account**  
*period ended 31 July 2008*

	<i>Note</i>	<b>2008 £</b>	<b>2007 £</b>
<b>Turnover</b>	<b>2</b>	<b>3,882,588</b>	13,251,946
Cost of sales		<u>4,179,963</u>	<u>13,343,577</u>
<b>Gross profit / (loss)</b>		<b>(297,375)</b>	<b>(91,631)</b>
Administrative expenses		<u>1,131,421</u>	<u>1,137,456</u>
<b>Operating loss</b>		<b>(1,428,796)</b>	<b>(1,229,087)</b>
Other Income	3	<b>1,361,796</b>	1,419,523
Other interest receivable and similar income		<b>746,984</b>	705,961
Gift aid payment		<u>(3,377,003)</u>	<u>(9,147,875)</u>
<b>Loss on ordinary activities before taxation</b>	<b>4</b>	<b>(2,697,019)</b>	<b>(8,251,478)</b>
Tax on profit on ordinary activities	6	-	-
<b>Loss on ordinary activities after taxation</b>		<u><b>(2,697,019)</b></u>	<u><b>(8,251,478)</b></u>

All of the company's activities are generated by continuing operations

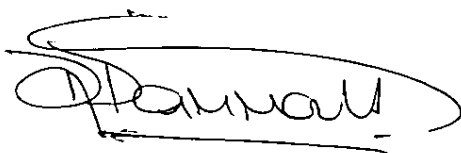
**Statement of Total Recognised Gains and Losses**  
*period ended 31 July 2008*

	<b>2008 £</b>	<b>2007 £</b>
Loss on ordinary activities after taxation	<b>(2,697,019)</b>	<b>(8,251,478)</b>
Release from Merger Reserve	<u>54,028</u>	<u>1,467,154</u>
<b>Total Recognised Gains and Losses</b>	<u><b>(2,642,991)</b></u>	<u><b>(6,784,324)</b></u>

**Balance sheet**  
at 31<sup>st</sup> July 2008

	Note	£	2008 £	£	2007 £
<b>Fixed assets</b>					
Tangible assets			-		-
			-		-
<b>Current assets</b>					
Stock	7	16,013,513		19,911,736	
Debtors and prepayments	8	1,508,935		1,086,775	
Investments		12,221,924		12,728,171	
Cash at bank and in hand		36,238		19,124	
		<u>29,780,610</u>		<u>33,745,806</u>	
<b>Creditors: amounts falling due within one year</b>	9	<u>(2,849,116)</u>		<u>(4,117,293)</u>	
<b>Net assets</b>			<u>26,931,494</u>		<u>29,628,513</u>
<b>Capital and reserves</b>					
Called up share capital	10		1,000		1,000
Share Premium	11		41,950,559		41,950,559
Merger reserve	12		39,306		93,334
Profit and loss account	13		(15,059,371)		(12,416,380)
<b>Shareholders' funds</b>			<u>26,931,494</u>		<u>29,628,513</u>

These financial statements were approved by the board of directors on 21 May 2009 and were signed on its behalf by :



**D 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 includes rental income on student properties of £1,109,896 (2007 £1,409,741) and an option payment of £250,000 (2007 £Nil).

**4 Profit on ordinary activities before taxation**

	2008 £	2007 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration: Audit	3,055	4,700

**5 Remuneration of directors**

The directors received no emoluments in respect of their services to the company during the year (2007: nil).

## 6 Taxation on profit on ordinary activities

There is no taxation charge arising in the period (2007: nil)

### Deferred taxation:

No provision has been made for deferred tax. The total amount un-provided at 31<sup>st</sup> July 2008 is £3,197,993 (2007 £4,196,184). No liability is expected to crystallise in the future.

Analysis of amounts un-provided

	2008 £	2007 £
Chargeable gains on appropriation to stock	3,197,993	4,196,184
Total un-provided	3,197,993	4,196,184

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 (28%: 2007 30%). The differences are explained below.

	2008 £	2007 £
<i>Current tax reconciliation</i>		
Profit / (loss) on ordinary activities before tax	(2,642,990)	(8,251,478)
Current tax at 28% (30%)	(740,037)	(2,475,443)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	-	-
Chargeable gains realised on sale of stock	755,165	2,475,443
Release of merger reserve	(15,128)	-
Deed of covenant provided	945,561	2,734,333
Deed of covenant paid within 9 months	(945,561)	(2,734,333)
Total current tax charge (see above)	-	-

<b>7</b>	<b>Stock</b>	<b>2008</b>	<b>2007</b>
		<b>£</b>	<b>£</b>
	Goods for resale	<b>16,013,513</b>	<b>19,911,736</b>
		<hr/>	<hr/>
<b>8</b>	<b>Debtors</b>	<b>2008</b>	<b>2007</b>
		<b>£</b>	<b>£</b>
	Amounts owed by group undertakings	<b>1,386,775</b>	<b>276,879</b>
	Prepayments	<b>32,113</b>	<b>168,770</b>
	Other debtors	<b>90,047</b>	<b>641,126</b>
		<hr/>	<hr/>
		<b>1,508,935</b>	<b>1,086,775</b>
		<hr/>	<hr/>
<b>9</b>	<b>Creditors: amounts falling due within one year</b>	<b>2008</b>	<b>2007</b>
		<b>£</b>	<b>£</b>
	Amounts owed to group undertakings	<b>2,832,144</b>	<b>3,809,232</b>
	Accruals and deferred income	<b>16,972</b>	<b>308,061</b>
		<hr/>	<hr/>
		<b>2,849,116</b>	<b>4,117,293</b>
		<hr/>	<hr/>
<b>10</b>	<b>Called up share capital</b>	<b>2008</b>	<b>2007</b>
		<b>£</b>	<b>£</b>
	<i>Authorised</i>		
	Equity: 1,000 Ordinary shares of £1 each	<b>1,000</b>	<b>1,000</b>
		<hr/>	<hr/>
		<b>1,000</b>	<b>1,000</b>
		<hr/>	<hr/>
	<i>Allotted, called up and fully paid</i>		
	Equity: 1,000 Ordinary shares of £1 each	<b>1,000</b>	<b>1,000</b>
		<hr/>	<hr/>
	<i>Allotted, called up and unpaid</i>		
	Equity: Ordinary shares of £1	<b>-</b>	<b>-</b>
		<hr/>	<hr/>
		<b>1,000</b>	<b>1,000</b>
		<hr/>	<hr/>

# **11 Share premium**

	2008	2007
	£	£
Balance brought forward and carried forward	<u>41,950,559</u>	<u>41,950,559</u>

# **12 Merger reserve**

	2008	2007
	£	£
Balance brought forward	93,334	1,560,488
Release from merger reserve for the period	(54,028)	(1,467,154)
Balance carried forward	<u>39,306</u>	<u>93,334</u>

# **13 Profit and loss account reserve**

	2008	2007
	£	£
Balance brought forward	(12,416,380)	(5,632,056)
Accumulated loss for the period	(2,697,019)	(8,251,478)
Merger Reserve release	54,028	1,467,154
Balance carried forward	<u>(15,059,371)</u>	<u>(12,416,380)</u>

# **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**

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Loss for the period	<b>(2,697,019)</b>	<b>(8,251,478)</b>
Opening shareholders' equity funds	<b>29,628,513</b>	<b>37,879,991</b>
Closing shareholders' equity funds	<b>26,931,494</b>	<b>29,628,513</b>

## **16 Capital Commitments**

The company had no outstanding capital commitments at the period end (2007: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, Western Bank, Sheffield, S10 2TN.