

# **Escafeld Estates Ltd**

**Directors' report and financial  
statements for the year  
ended 31 July 2014**

**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 2014

### **Principal activities**

The principal activity of the company is the sale of 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 property market will affect prices received for property stock. The price received for individual properties will be determined by property prices in the local market.

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

The company made a loss for the year of £152,455, before gift aid payments and dividends, (2013 £524,056 loss before gift aid payments and dividends), as adjusted for the ICAEW guidance published in November 2014 regarding the treatment of gift aid payments as distributions. The gift aid payment in 2013/14 was £2,509,252 (2013 £823,820).

There was one property sale in 2013/14.

On 30 June 2014 £6.0m was paid to the University as a cash dividend approved by the Directors.

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

Property sales during the year were £5,342,400 (2013 nil)

Property stocks at 31 July 2014 were £1,210,000 (2013 £6,552,000)

Interest receivable for the year ended 31 July 2014 was £68,461 (2013 £207,072)

Cash invested at 31 July 2014 was £302,655 (2013 £11,334,270)

### **Going Concern**

The directors have no concerns over the going concern of the company. The Balance Sheet position shows net assets of £8.4m, £7.2m of which is made up of liquid assets and the company has no outstanding loans. The company is a wholly owned subsidiary of the University of Sheffield, which will provide ongoing support to the company in the unlikely event of it needing to do so.

### **Proposed dividend**

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

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

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

D J Damment  
R Rabone  
H Dingle

None of the directors held shares in the company or any group companies as at the 31<sup>st</sup> July 2014

### **Auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

### **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.

Registered Office:

Firth Court

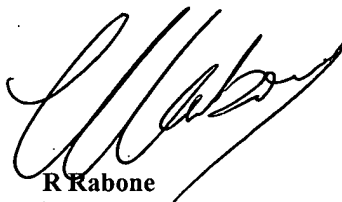
Western Bank

Sheffield

S10 2TN

By order of the board

Signed on behalf of the directors

A handwritten signature in black ink, appearing to read 'R Rabone', written over a horizontal line.

**R Rabone**

Director

Approved by the directors on 27 February 2015

## Statement of 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). 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 and 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 2006. 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ESCAFELD ESTATES LIMITED**

We have audited the financial statements of Escafeld Estates Limited for the year ended 31 July 2014 set out on pages 6 to 13. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 set out on page 5, 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 the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2014 and of its profit/loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter 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.

### **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;
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report, and take advantage of the small companies exemption from the requirement to prepare a strategic report.



Clare Partridge  
(Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
1 The Embankment  
Neville Street  
Leeds  
LS1 4DW

5 March 2015

**Profit and loss account**  
*year ended 31 July 2014*

	<i>Note</i>	<b>2014</b> <b>£</b>	<b>2013</b> <b>£</b>
<b>Turnover</b>	<b>2</b>	<b>5,342,400</b>	-
Cost of sales		(5,396,460)	-
Stock Write down		-	(1,158,000)
<b>Gross Loss</b>		<b>(54,060)</b>	<b>(1,158,000)</b>
Administrative expenses		(219,964)	(303,587)
<b>Operating Loss</b>		<b>(274,024)</b>	<b>(1,461,587)</b>
Other Income	3	53,108	95,964
Other interest receivable and similar income		68,461	207,072
Profit on Dividend in Specie		-	634,495
<b>Loss on ordinary activities before taxation</b>	<b>4</b>	<b>(152,455)</b>	<b>(524,056)</b>
Tax on profit on ordinary activities	6	-	-
<b>Loss on ordinary activities after taxation</b>		<b>(152,455)</b>	<b>(524,056)</b>
Dividend		(6,000,000)	(4,940,000)
Gift aid payment	7	(2,509,252)	(823,820)
<b>Loss on ordinary activities after taxation, dividends and gift aid</b>		<b>(8,661,707)</b>	<b>(6,287,876)</b>

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

**Statement of Total Recognised Gains and Losses**  
*year ended 31 July 2014*

	<b>2014</b> <b>£</b>	<b>2013</b> <b>£</b>
<b>Loss on ordinary activities after taxation, dividends and gift aid</b>	<b>(8,661,707)</b>	<b>(6,287,876)</b>
<b>Total Recognised Gains and Losses</b>	<b>(8,661,707)</b>	<b>(6,287,876)</b>

**Balance sheet**  
at 31<sup>st</sup> July 2014

	Note	£	2014 £	£	2013 £
<b>Fixed assets</b>					
Tangible assets			-	-	-
<b>Current assets</b>					
Stock	8	1,210,000		6,552,000	
Debtors and prepayments	9	2,679,121		12,345	
Investment		302,655		11,334,270	
Cash at bank and in hand		6,886,135		76,535	
			11,077,911	17,975,150	
<b>Creditors: amounts falling due within one year</b>	10	(2,692,643)		(928,175)	
<b>Net assets</b>			8,385,268		17,046,975
<b>Capital and reserves</b>					
Called up share capital	11		2		2
Share Premium	12		-		-
Profit and loss account	13		8,385,266		17,046,973
<b>Shareholders' funds</b>			8,385,268		17,046,975

These financial statements were approved by the board of directors on 27 February 2015 and were signed on its behalf by:



**R Rabone**  
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 and the recharge of security costs of £53,108 (2013 £95,964).

#### 4 Loss on ordinary activities before taxation

	2014 £	2013 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration: Audit	3,426	3,240

#### 5 Remuneration of directors

The directors received no emoluments in respect of their services to the company during the year (2013: nil).

#### 6 Taxation on profit on ordinary activities

There is no taxation charge arising in the period (2013: nil)

##### Deferred taxation:

No provision has been made for deferred tax. The total amount un-provided at 31<sup>st</sup> July 2014 is £182,704 (2013 £1,447,597). No liability is expected to crystallise in the future.

The deferred tax liabilities and assets disclosed in these accounts have been calculated using the rate of 20.67% (2013: 22.33%) following the reduction to the rate of corporation tax announced.

##### Analysis of amounts un-provided

	2014 £	2013 £
Chargeable gains on appropriation to stock	182,704	1,447,597
Trading losses carried forward	-	-
Losses on rental business carried forward	-	-
Total un-provided	182,704	1,447,597

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, must be paid 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 are included in the calculation of the chargeable profits and the amount of the annual covenanted payment to The University. The directors consider the Company has sufficient distributable reserves to make the future payments anticipated under the Deed of Covenant to reduce chargeable profits to Nil. No provision for deferred taxation is therefore recognised.

As disclosed in note 7 £2.9m of Gift Aid payments made by the company in previous years are not now considered to be lawfully made. HMRC are currently considering their response to this issue and the impact on the tax liabilities in previous years. This is an issue for subsidiary companies across the Higher Education sector and whilst the directors do not expect HMRC to levy any additional tax on the company, there can be no certainty of this while HMRC's considerations continue.

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 (22.33%: 2013 23.67%). The differences are explained below.

	2014 £	2013 £
<i>Current tax reconciliation</i>		
Profit / (loss) on ordinary activities before tax	(152,455)	(1,347,876)
Current tax at 22.33% (23.67%)	(34,043)	(319,042)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	-	-
Chargeable gains realised on sale of stock	1,250,122	721,981
Losses brought forward and utilised	-	(402,939)
Gift Aid payable within 9 months	(1,216,079)	194,988
		(194,988)
Total current tax charge (see above)	-	-

## 7 Gift Aid payable

	2014 £	2013 £
Gift Aid payable for the year	(5,445,942)	(823,820)
Prior year Gift Aid receivable from the parent undertaking	<u>2,936,690</u>	-
Gift Aid shown in the profit and loss account	<u>(2,509,252)</u>	<u>(823,820)</u>

The directors now consider that the company is required to have distributable profits to make Gift Aid payments to the parent undertaking, the University of Sheffield. After examining previous years' Gift Aid payments and distributable profit levels management have recognised Gift Aid receivable of £2,936,690 due from the University of Sheffield, representing the amount by which Gift Aid payments exceeded distributable profits. This amount has been set off against the amounts owed to group undertakings.

## 8 Stock

	2014 £	2013 £
Goods for resale	<u>1,120,000</u>	<u>6,552,000</u>

## 9 Debtors

	2014 £	2013 £
Amounts owed by group undertakings	3,108	1,554
Prepayments	1,554	2,095
Other debtors	2,674,459	8,696
	<u>2,679,121</u>	<u>12,345</u>

## 10 Creditors: amounts falling due within one year

	2014 £	2013 £
Trade Creditors	954	15,893
Amounts owed to group undertakings	2,626,409	908,892
Accruals and deferred income	65,280	3,390
	<u>2,692,643</u>	<u>928,175</u>

## 11 Called up share capital

	2014 £	2013 £
<i>Authorised</i>		
Equity: 2 Ordinary shares of £1 each	2	2
	<u>2</u>	<u>2</u>
<i>Allotted, called up and fully paid</i>		
Equity: 2 Ordinary shares of £1 each	2	2
<i>Allotted, called up and unpaid</i>		
Equity: Ordinary shares of £1	-	-
	<u>2</u>	<u>2</u>

## 12 Share premium

	2014 £	2013 £
Balance brought forward	-	41,950,559
Cancellation of Share premium	-	(41,950,559)
	<hr/>	<hr/>
Balance carried forward	-	-
	<hr/>	<hr/>

## 13 Profit and loss account reserve

	2014 £	2013 £
Balance brought forward	17,046,973	(18,616,708)
Capital reduction	-	41,951,557
Accumulated loss for the period	(8,661,707)	(6,287,876)
	<hr/>	<hr/>
Balance carried forward	8,385,266	17,046,973
	<hr/>	<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

	2014 £	2013 £
Loss for the period	(8,661,707)	(6,287,876)
	<hr/>	<hr/>
Opening shareholders' equity funds	17,046,975	23,334,851
	<hr/>	<hr/>
Closing shareholders' equity funds	8,385,268	17,046,975
	<hr/>	<hr/>

## **16 Capital Commitments**

The company had no outstanding capital commitments at the period end (2013: *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.