

# University of Essex Knowledge Gateway Limited

Annual report and financial statements  
for the year ended 31 July 2012

Registered number 04392361

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# **University of Essex Knowledge Gateway Limited**

## **Company information**

### **Directors**

A Connolly (resigned 31 July 2012)  
W H Gore  
A Keeble (appointed 12 July 2012)  
O B Morris (appointed 10 January 2012)  
A R Nightingale (resigned 31 July 2012)  
Prof C B Riordan (resigned 05 August 2012)

### **Secretary**

J F Woodall

### **Company Number**

04392361

### **Registered office**

University of Essex  
Wivenhoe Park  
Colchester  
Essex  
CO4 3SQ

### **Auditor**

Deloitte LLP  
Chartered Accountant  
St Albans  
United Kingdom

### **Bankers**

Lloyds TSB  
27 High Street  
Colchester  
Essex  
CO1 1DU

# **University of Essex Knowledge Gateway Limited**

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# **University of Essex Knowledge Gateway Limited**

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 July 2012

### **Principal activities**

The principal activity of the company in the year under review was to carry on the business of a property and investment development company for the Knowledge Gateway site on behalf of the University of Essex

### **Review of business and future developments**

Until 13 June 2012, the company was involved in a partnership with Carisbrooke Research Parks Limited (CPRL). However on that date, the partnership was terminated by mutual agreement since the single development model enshrined in the 2009 Partnership Agreement was no longer seen to be tenable. With the termination, a new chapter has opened, whereby the company need no longer be constrained by its partner's commercial pressures. As commercial proposals to develop individual plots are agreed, development leases will be granted with the option of disposing of long leases of completed developments to commercial investors. In May 2009 the Council of the University of Essex approved expenditure of up to £7.9m to facilitate infrastructure work on the Knowledge Gateway site as a precursor to further development of the site. The contract for this work was let in May 2010 and work was completed in December 2011. The work is seen as a critical element in determining the medium term prospects for the site.

There is outline planning permission for the Knowledge Gateway as a whole, part of which resides with the University for the development of student accommodation, the disposal of land for residential housing and the construction of the Institute for Democracy and Conflict Resolution, with the remainder of the site being held for future development. Detailed planning approval for new student accommodation on the Meadows site was granted in January 2012. The University successfully concluded negotiations with Uliving, its preferred bidder, in early August 2012 to develop 648 new student bedrooms on the site and construction is underway. Design of the Institute, which will be the first research-related project, is being taken forward through the continuing engagement of the internationally acclaimed architect Daniel Libeskind. Construction of the new £21m carbon neutral Essex Business School, to be sited immediately adjacent to the Knowledge Gateway, is scheduled to begin in the early autumn of 2012. Together, these developments will provide both a set of landmark buildings and a much needed catalyst for further development across the Knowledge Gateway site, making it an attractive proposition for organisations wishing to be associated with the University.

Marketing of the location and plots remains active and a number of initial approaches are being considered by the University. Construction of the first commercial building on the Knowledge Gateway site, comprising Phase 1 of the Parkside Office Village, is due to commence shortly, to be funded by a loan of £2.4m from the Local Enterprise Partnership's Growing Places fund. The directors continue to believe that, given the present level of interest, the prospects for the Knowledge Gateway development are significant and commercially attractive.

From July 2009 to date, the company has continued to incur professional fees and marketing costs in relation to the development of the site infrastructure work. These include bank fees for a performance bond issued by Lloyds TSB in February 2011 in favour of Essex County Council as highway authority. Ninety per cent of the bond is scheduled for release once Essex County Council has confirmed its satisfaction with the infrastructure work and the remainder one year later provided that such work has not been found to be defective.

Pre-trading expenditure by the company has caused it to report a loss of £154,039 (2011: £138,400). To finance the expenditure, the University loaned the company £85,000 in the year ended 31 July 2012, on which interest is payable at a rate of 2.5% over the base rate as quoted by the Bank of England. The full amount of loan will be repaid by the company before July 2013, together with the associated interest. In parallel, University of Essex Knowledge Gateway Holdings Limited, the company's immediate parent, injected £100,000 through the acquisition of 100,000 ordinary shares of

# **University of Essex Knowledge Gateway Limited**

## **Directors' report**

£1 each. A further acquisition of 100,000 ordinary shares will be made in December 2012. By these means, the University of Essex, as the ultimate parent and controlling entity, will ensure the company has sufficient cash to meet its obligations.

### **Going concern**

The current economic conditions are likely to impact on the speed at which development of the Knowledge Gateway proceeds. The University, as the company's ultimate parent entity and controlling party, is aware that the company will continue to incur property management service fees during the current year and has issued a letter confirming it will provide financial support to ensure that the company will be able to meet its liabilities as they fall due for a period not less than one year after the signing of the accounts. In July 2011, the University injected cash into the company through the acquisition of 200,000 ordinary shares of £1 each by the company's immediate parent entity, University of Essex Knowledge Gateway Holdings Limited. University of Essex Knowledge Gateway Holdings acquired a further 100,000 ordinary shares of £1 in March 2012 and is scheduled to acquire a final 100,000 ordinary shares of £1 in December 2012. Should the need arise, the University will provide cash to cover short-term liabilities. There are no bank loans. Accordingly, the directors believe that the business can continue to operate successfully for the foreseeable future.

The directors are confident that the shareholders' investment in the company, financing initial marketing and development costs, along with shareholder investment in site-infrastructure, will generate an attractive financial return once commercial tenants have been secured.

### **Results and dividends**

The loss for the year amounted to £154,039 (2011: loss £138,400). The directors have not recommended a dividend in the current or prior year.

### **Directors**

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

A Connolly (resigned 31 July 2012)  
W H Gore  
A Keeble (appointed 12 July 2012)  
O B Morris (appointed 10 January 2012)  
A R Nightingale (resigned 31 July 2012)  
Prof C B Riordan (resigned 05 August 2012)

### **Small Company's Exemption**

The Company is not required to produce an enhanced business review as it is exempt from the requirement under s415A of the Companies Act 2006.

# University of Essex Knowledge Gateway Limited

## Directors' report

### Provision of Information to Auditor

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

- 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 the steps that they ought to have taken as Directors in order to make themselves 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

### Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board and signed on its behalf by



Mr J F Woodall  
Secretary

29 November 2012

Registered office  
Wivenhoe Park  
Colchester  
Essex  
CO4 3SQ

## **University of Essex Knowledge Gateway Limited**

### **Statement of 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 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 judgments and accounting 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 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 University of Essex Knowledge Gateway Limited**

We have audited the financial statements of University of Essex Knowledge Gateway Limited for the year ended 31 July 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 12. 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 the 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 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 2012 and of its loss 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 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.

## **Independent auditor's report to the members of University of Essex Knowledge Gateway Limited**

### **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, or
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report

*Matthew Hall*

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

*14 December* 2012

# University of Essex Knowledge Gateway Limited

## Profit and loss account Year ended 31 July 2012

	Note	2012 £	2011 £
Administrative expenses		(152,330)	(135,275)
<b>Operating loss</b>	2	<u>(152,330)</u>	<u>(135,275)</u>
Interest payable to University of Essex		(1,886)	(3,150)
Bank Interest receivable		177	25
<b>Loss on ordinary activities before taxation</b>		<u>(154,039)</u>	<u>(138,400)</u>
Tax on loss on ordinary activities	11	-	-
<b>Loss for the financial year</b>	9	<u><u>(154,039)</u></u>	<u><u>(138,400)</u></u>

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, accordingly no statement of total gains and losses has been prepared

# University of Essex Knowledge Gateway Limited

## Balance Sheet 31 July 2012

	Note	2012 £	2011 £
<b>Current assets</b>			
Debtors	5	31,347	15,761
Cash at bank		15,568	43,835
		<hr/> 46,915	<hr/> 59,596
<b>Creditors: amounts falling due within one year</b>	6	(90,896)	(49,538)
<b>Net current (liabilities)/assets</b>		<hr/> (43,981)	<hr/> 10,058
<b>Net (liabilities)/assets</b>		<hr/> (43,981)	<hr/> 10,058
<b>Capital and reserves</b>			
Called up share capital	8	350,002	250,002
Profit and loss account	9	(393,983)	(239,944)
<b>Shareholders' (deficit)/funds</b>	10	<hr/> (43,981)	<hr/> 10,058

The financial statements of University of Essex Knowledge Gateway Limited, registered number 04392361, were approved by the Board of Directors on *29 November* 2012

Signed on behalf of the Board of Directors

*A Keeble*

A Keeble  
Director

*29 November* 2012

O B Morris  
Director

*O B Morris*  
*3 December* 2012

# **University of Essex Knowledge Gateway Limited**

## **Notes to the accounts Year ended 31 July 2012**

### **1. Accounting policies**

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted in both the current and prior year are described below.

#### **Basis of preparation and going concern**

The financial statements are prepared under the historical cost convention.

The current economic conditions are likely to impact on the speed at which development of the Knowledge Gateway proceeds. Notwithstanding the deferral of the land sale completion of the infrastructure work will provide a sound basis for development once the economic situation improves, and should ensure that the land earmarked for sale remains attractive to potential developers.

The loss of £154,039 reflects payments to Carisbrooke Research Parks Ltd and others in relation to professional fees and marketing costs. At the year end, the company held cash balances of £15,568. Creditors amounted to £90,896 of which £85,000 is a loan repayable to the University by 31 December 2012. There were net liabilities of £43,891. In December 2012 University of Essex Knowledge Gateway Holdings Limited will inject a further £100,000 through acquisition of 100,000 ordinary shares of £1 each. The University, as the company's parent entity and ultimate controlling party, has issued a letter confirming it will provide financial support to ensure that the company will be able to meet its liabilities as they fall due for a period not less than one year after the signing of the accounts.

There are no bank loans and there is sufficient cash to cover known liabilities.

Accordingly, the directors believe that the business can continue to operate successfully for the foreseeable future.

#### **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 wholly owned and its parent undertaking publishes a consolidated cash flow statement.

#### **Consolidation**

The financial statements contain information about University of Essex Knowledge Gateway Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of its ultimate parent undertaking, the University of Essex.

# University of Essex Knowledge Gateway Limited

## Notes to the accounts Year ended 31 July 2012

### Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by 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. Timing differences are differences between the taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

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

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted by the balance sheet date.

### 2. Operating loss

	2012 £	2011 £
<b>Operating loss is stated after charging:</b>		
Auditor's remuneration – fees payable to the company's auditor for audit of the company's annual accounts	1,510	1,465

### 3. Information regarding directors and employees

No salaries or wages have been paid to the directors, during the current or prior year. The company has no employees.

### 4. Investments

Until June 2012, University of Essex Knowledge Gateway Limited had a 50% interest in The Carisbrooke Essex Partnership, a partnership governed by English Law. At this time, the partnership was dissolved. The results and financial position of The Carisbrooke Essex Partnership are included on a consolidated basis in the financial statements of the University of Essex.

### 5. Debtors

	2012 £	2011 £
Other debtors	31,347	15,761

# University of Essex Knowledge Gateway Limited

## Notes to the accounts

Year ended 31 July 2012

### 6. Creditors' amounts falling due within one year

	2012 £	2011 £
Accruals and deferred income	5,896	49,538
Amounts owed to group undertakings	85,000	-
	<u>90,896</u>	<u>49,538</u>

The increase in creditors falling due within one year arises from inclusion of £85,000 in loans repayable to the University of Essex by 31 July 2013. Accrued interest payable on this loan amounted to £1,866 as at 31 July 2012.

### 7. Related party transactions

University of Essex Knowledge Gateway Limited (UEKGL) is wholly owned by University of Essex Knowledge Gateway Holdings Limited, which itself is wholly owned and controlled by the University of Essex. The company has taken advantage of the exemption conferred by FRS 8 from disclosing related party transactions on the basis that the consolidated financial statements in which the company is included are publicly available.

### 8. Share capital

	2012 £	2011 £
<b>Authorised share capital:</b>		
550,002 ordinary shares of £1 each	550,002	550,002
	<u>          </u>	<u>          </u>
<b>Called up, allotted and fully paid</b>		
350,002 (2011: 250,002) ordinary shares of £1 each	350,002	250,002
	<u>          </u>	<u>          </u>

On 23 May 2011, the Directors resolved to authorise 550,002 ordinary shares of £1 each and to issue 400,000 ordinary shares of £1 each to the immediate parent entity, University of Essex Knowledge Gateway Holdings Limited. The issue will be on a phased basis up to December 2012. The first allotment of 200,000 shares was made at par in July 2011 and a further allotment of 100,000 shares was made at par in March 2012. The remaining 100,000 shares will be allotted in December 2012, again at par.

### 9. Profit & loss account

	2012 £	2011 £
Balance brought forward	(239,944)	(101,544)
Loss for the financial year	(154,039)	(138,400)
	<u>(393,983)</u>	<u>(239,944)</u>

# University of Essex Knowledge Gateway Limited

## Notes to the accounts Year ended 31 July 2012

### 10. Reconciliation of movements in shareholders' funds

	2012 £	2011 £
Opening shareholders' funds/(deficit)	10,058	(51,542)
Loss for the financial year	(154,039)	(138,400)
New shares issued in year	100,000	200,000
Closing shareholders' (deficit)/funds	(43,981)	10,058

### 11. Taxation on loss on ordinary activities

	2012 £	2011 £
Loss on ordinary activities before taxation	(154,039)	(138,400)
Current tax credit at 25.3% (2011: 27.3%)	(38,972)	(37,783)
Effects of		
Group relief surrendered for no consideration	432	1,005
Unutilised tax losses	38,539	36,778
Total current tax	-	-

During the year reductions in the main rate of corporation tax have been substantively enacted, being a reduction to 24%, from 1 April 2012 which was substantively enacted on 29 March 2012, and a reduction to 23% from 1 April 2013 which was included within the Finance Act 2012 enacted on 17 July 2012.

A deferred tax asset has not been recognised in respect of timing differences relating to tax losses as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised at a rate of 23% (2011: 25%) is £66,868 (2011: £56,712). The asset would be recovered if sufficient suitable taxable profits were to arise in future periods.

### 12. Ultimate parent company

In the opinion of the directors, the company's ultimate parent entity and ultimate controlling party is the University of Essex, a higher education institution in the United Kingdom. The parent undertaking of the largest and smallest group, which includes the company and for which group accounts are prepared, is the University of Essex. Copies of the group financial statements are available from the Director of Finance, University of Essex, Wivenhoe Park, Colchester, Essex CO4 3SQ.