

Company Registration No. 4392361

University of Essex Knowledge Gateway
Limited

Report and Financial Statements
31 July 2011

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University of Essex Knowledge Gateway Limited

Report and financial statements 2011

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University of Essex Knowledge Gateway Limited

Report and financial statements 2011

Officers and professional advisers

Directors

Dr A H Rich (resigned 21 August 2011)
Prof C B Riordan (appointed 23 May 2011)
W H Gore (appointed 23 May 2011)
A Connolly
A R Nightingale
Dr H Perkins (resigned 17 November 2010)
Professor R Massara (resigned 31 July 2011)

Secretary

Mrs S Anderson (resigned 23 May 2011)
J F Woodall (appointed 23 May 2011)

Registered office

University of Essex
Wivenhoe Park
Colchester
Essex
CO4 3SQ

Bankers

Lloyds TSB
27 High Street
Colchester
Essex
CO1 1DU

Auditor

Deloitte LLP
Chartered Accountant and Statutory Auditor
St Albans

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 2011

Review of business and future developments

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. The company is involved in a partnership with Carisbrooke Research Parks Limited (CPRL). An initial partnership agreement was signed on 15 July 2002 and updated agreement on 17 April 2009. As commercial proposals to develop individual plots are agreed, development leases will be granted with the intention 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 is scheduled for completion in December 2011.

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. The University has appointed a preferred bidder to develop 640 new student bedrooms on the accommodation site whilst design of the Institute, which will be the first research-related project, is being taken forward through the prestigious appointment of the internationally acclaimed architect Daniel Libeskind. In addition, the University Council has approved capital expenditure of £2.1m on a project to construct a new building for the Essex Business School, to be sited immediately adjacent to the Knowledge Gateway. 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 is active and the first commercial proposals were initiated during the year. However, these proposals were not completed following the withdrawal of a prospective tenant. The completion of the site infrastructure, a significant investment by the University, will be critical in determining the medium-term prospects of the site. The directors consider that the prospects for the Knowledge Gateway development are significant and commercially attractive.

From July 2009 to date, the company has continued to incur property management fees and other 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 in December 2011 upon completion of the highways component of the site infrastructure work to the satisfaction of Essex County Council 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 £138,400 (2010: £76,172). To finance the expenditure, the University loaned the company £58,200 in the year ended 31 July 2010 and a further £100,000 in the 2010-11 year, on which interest was payable at a rate of 2.5% over the base rate as quoted by the Bank of England. The full amount of loan was repaid by the company in July 2011 together with the associated interest. In parallel, University of Essex Knowledge Gateway Holdings Limited, the company's immediate parent, injected £200,000 through the acquisition of 200,000 ordinary shares of £1 each. Two further acquisitions of 100,000 ordinary shares each will be made in March 2012 and March 2013. 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.

University of Essex Knowledge Gateway Limited

Directors' report

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 of financial support to ensure that the company will be able to meet its liabilities as they fall due. 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 Limited will acquire a further 200,000 ordinary shares of £1 by means of two equal allotments in March 2012 and March 2013. 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.

Dividends

The loss for the year amounted to £138,400 (2010 loss £76,172). 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:

Dr A H Rich (resigned 21 August 2011)
Prof C B Riordan (appointed 23 May 2011)
W H Gore (appointed 23 May 2011)
A Connolly
A R Nightingale
Dr H Perkins (resigned 17 November 2010)
Professor R Massara (resigned 31 July 2011)

Small Companies 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.

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

Provision of information to the 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.

University of Essex Knowledge Gateway Limited

Directors' report

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

Registered office
Wivenhoe Park
Colchester
Essex
CO4 3SQ

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



J F Woodall
Secretary

10th Jan 2012

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, 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 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 13. 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 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 2011 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



Heather Bygrave (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
St Albans, United Kingdom

20 Signed 2012

University of Essex Knowledge Gateway Limited

Profit and loss account Year ended 31 July 2011

	Note	2011 £	2010 £
Administrative expenses		(135,275)	(76,184)
Operating loss	2	(135,275)	(76,184)
Interest payable to University of Essex		(3,150)	-
Bank interest receivable		25	12
(Loss) on ordinary activities before taxation		(138,400)	(76,172)
Tax on loss on ordinary activities	12	-	-
(Loss) for the financial year	10	(138,400)	(76,172)

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 recognised gains or losses is presented

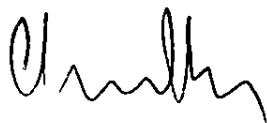
University of Essex Knowledge Gateway Limited

Balance sheet 31 July 2011

	Note	2011 £	2010 £
Current assets			
Debtors	5	15,761	11,918
Cash at bank		43,835	3,988
		<u>59,596</u>	<u>15,906</u>
Creditors: amounts falling due within one year	6	<u>(49,538)</u>	<u>(8,633)</u>
Total assets less current liabilities		<u>10,058</u>	<u>7,273</u>
Creditors: amounts falling due after more than one year	7	<u>-</u>	<u>(58,815)</u>
Net Assets/ (Liabilities)		<u><u>10,058</u></u>	<u><u>(51,542)</u></u>
Capital and reserves			
Called up share capital	9	250,002	50,002
Profit and loss account	10	<u>(239,944)</u>	<u>(101,544)</u>
Shareholders' funds/ (deficit)	11	<u><u>10,058</u></u>	<u><u>(51,542)</u></u>

The financial statements of the University of Essex Knowledge Gateway Limited, registered number 4392361, were approved by the Board of Directors on 10th January 2012

Signed on behalf of the Board of Directors



A Connolly
Director

University of Essex Knowledge Gateway Limited

Notes to the accounts (continued) Year ended 31 July 2011

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, plans are well in hand for the development by the University of the necessary infrastructure. Completion of this work will provide a sound basis for development once the economic situation improves, and will ensure that the land earmarked for sale remains attractive to potential developers.

The loss of £138,400 reflects payments to Carisbrooke Research Parks Ltd and others in relation to the infrastructure work. At the year end, the company held cash balances of £43,835. Creditors amounted to £49,538. The University, as the company's ultimate parent entity and controlling party, has issued a letter of financial support to ensure that the company will be able to meet its liabilities as they fall due.

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 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.

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.

University of Essex Knowledge Gateway Limited

Notes to the accounts (continued) Year ended 31 July 2011

1. Accounting policies (continued)

Taxation

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

	2011 £	2010 £
Operating loss is stated after charging:		
Auditor's remuneration – fees payable to the company's auditor for the audit of the company's annual accounts	<u>1,465</u>	<u>1,406</u>

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

University of Essex Knowledge Gateway Limited has a 50% interest in The Carisbrooke Essex Partnership, a partnership governed by English Law. The Carisbrooke Essex Partnership's head office is Wivenhoe Park, Colchester, Essex

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

	2011 £	2010 £
Other debtors	<u>15,761</u>	<u>11,918</u>

University of Essex Knowledge Gateway Limited

Notes to the accounts (continued) Year ended 31 July 2011

6. Creditors: amounts falling due within one year

	2011 £	2010 £
Accruals and deferred income	49,538	8,633
	<u>49,538</u>	<u>8,633</u>

The increase in creditors falling due within one year arises from inclusion of £40,419 in abortive fees payable in respect of services delivered to the company in connection with development of the Knowledge Gateway. Payment in full was made by the company by 30 August 2011.

7. Creditors: amounts falling due after more than one year

	2011 £	2010 £
Amounts owed to group undertakings	-	58,815
	<u>-</u>	<u>58,815</u>

During the year the company repaid £158,200 loaned by the University of Essex, together with interest of £3,766 calculated at a rate of 2.5% over the base rate as quoted by the Bank of England. The interest payable on the loan amounted to £3,150 for the 2010-11 financial year and accrued interest of £616 from the previous year.

8. 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 publically available.

9. Share capital

	2011 £	2010 £
Authorised share capital:		
550,002 (2010: 100,000) ordinary shares of £1 each	550,002	100,000
Called up, allotted and fully paid:		
250,002 (2010: 50,002) ordinary shares of £1 each	250,002	50,002

On 23 May 2011, the Directors resolved to authorise 550,002 ordinary shares of £1 each and 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 March 2013. The first allotment of 200,000 shares was made at par in July 2011. The remaining 200,000 shares will be allotted in equal amounts in March 2012 and March 2013, again at par.

University of Essex Knowledge Gateway Limited

Notes to the accounts (continued) Year ended 31 July 2011

10. Profit and loss account

	2011 £	2010 £
Balance brought forward	(101,544)	(25,372)
(Loss) for the financial year	(138,400)	(76,172)
Balance carried forward	<u>(239,944)</u>	<u>(101,544)</u>

11. Reconciliation of movements in shareholders funds

	2011 £	2010 £
(Loss) for the financial year	(138,400)	(76,172)
Opening shareholders' deficit/ funds	(51,542)	24,630
New shares issued in year	200,000	-
Closing shareholders' funds/(deficit)	<u>10,058</u>	<u>(51,542)</u>

12. Tax on ordinary activities

	2011 £	2010 £
(Loss) on ordinary activities before taxation	<u>(138,400)</u>	<u>(76,172)</u>
Current tax credit at 27.3% (2010 28%)	(37,783)	(21,328)
Share of partnership interest	0	(3,997)
Group relief surrendered for no consideration	1,005	0
Tax losses unused	<u>36,778</u>	<u>25,325</u>
Total current tax	<u>-</u>	<u>-</u>

During the year reductions in the main rate of corporation tax have been substantively enacted, being a reduction to 26% from 1 April 2011, which was substantively enacted on 29 March 2011 and a reduction to 25% from 1 April 2012, which was substantively enacted on 5 July 2011

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 25% (2010 27%) is £42,657 (2010 £24,421). The asset would be recovered if sufficient suitable taxable profits were to arise in future periods.

University of Essex Knowledge Gateway Limited

Notes to the accounts (continued) **Year ended 31 July 2011**

13. 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.