

**WEST AND NORTH-WEST CAMBRIDGE ESTATES BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2019**

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Members of the Board

Mr Roger Bright (Chair)

Ms Sara Weller (Deputy Chair)

Ms Naisha Polaine (External member)

Mr Richard Anthony (Regent House member) (resigned December 2018)

**Professor Duncan Maskell (Senior Pro Vice-Chancellor for Planning and Resources)
(resigned July 2018)**

Ms Louise Hardy (External member) (resigned 31 August 2019)

Mr Graham Orton (External member)

Mr Tim Harvey-Samuel (from April 2019)

Professor Andy Neely (from October 2018)

Directors

Ms Heather Topel, Project Director

Mr Matthew Dawkes, Financial Director

Mr Warren Forsyth, Operations Director

Mr Gavin Heaphy, Construction Director

Mr Brian Nearney, Commercial Director

Nominated Officers

Ms Emma Rampton, (Registry)

Mr Anthony Odgers, Chief Financial Officer

REPORT OF THE BOARD

The Board presents its report and unaudited financial statements for the year ended 31 July 2019 together with commentary on the main areas of progress, and issues arising, for the project up to December 2019.

Eddington, the new district of Cambridge, has been open since 2015, and all key worker accommodation has been handed over to the University for housing qualifying University and College staff at subsidised rents. The tenancy vacancy rate throughout the latter half of 2019 has been consistently below 1%. The first retailers and the nursery have joined the already opened and successful University of Cambridge Primary School, which received an Outstanding report from Ofsted in their first inspection in June 2018. The Office for Postdoctoral Affairs is open on the site as is the multi award winning Storey's Field Centre. The Brook Leys parkland is open to the public and public art work provides a focal point in the parkland as well as in front of the Storey's Field Centre. The first private residents have joined the University staff residents at Eddington, and are occupying the Hill Athena homes. Open Eddington has become an annual tradition in September with a day full of tours, talks, events and opportunities to meet and question the design, ecology, sustainability, artistic and operations teams behind Eddington. The sports pitches and pavilions are proving to be popular with residents and the wider local population. 2018 included Eddington's first cycling festival and community sports day and a successful Discovery Day was held in 2019 inviting the local community to celebrate and explore all that is sustainable.

To support Eddington as a positive and welcoming environment for people to live and work there has been a focus on operational management of the site ensuring that the quality of environment meets the University's aspirations, and also promotes community development. There have been regular stakeholder groups to focus on the emerging community and placemaking opportunities. According to the 2019 residents survey, over 80% of tenants said they were satisfied with their overall experience of Eddington; 89% rated their accommodation as Good or Excellent and 89% said the open spaces and environment were Good or Excellent. Satisfaction levels are consistently higher across all aspects of accommodation at Eddington compared to resident satisfaction over the general Cambridge market.

The Board's oversight of the West Cambridge site has included consideration of the Commercial Research Strategy and review of site-wide infrastructure planning (including public art). The building of the new Cavendish III laboratory and Shared Facilities Hub began during the period and these key buildings will enhance the national reputation of the site for world-class research and provide much needed social integration space for staff and visitors to the West Cambridge site.

The Board's focus throughout 2018- 2019 has been to position itself for the successful passage of the Phase 2 Business Case through the University's scrutiny and approval processes.

1. Principal activities

The Board's principal activity, which is set out in a University ordinance, is to be responsible for:

- i. the management, development, and stewardship of the North West Cambridge Estate (being the University's land and property holdings in the area between Madingley Road, Huntingdon Road, and the M11 motorway); and
- ii. the development and stewardship of the West Cambridge Estate (being the University's land and property holdings in the area bounded by Madingley Road, Clerk Maxwell Road, the Coton Footpath, and the M11).

The North West Cambridge Estate is a mixed use development on a 150 hectare site which will ultimately deliver up to 1,500 homes for private sale, 1,500 units for University staff, 2,000 units of post graduate accommodation, 100,000 square metres of academic research and development space, a hotel, senior care housing, supermarket and community facilities including a primary school, community centre, health centre, and sports facilities.

The first phase of development includes 710 homes for University and College staff, 700 units for market sale, 325 post-graduate student rooms, a local centre (including food store, shops, primary school, hotel, health centre, community centre), and other related facilities, open space and infrastructure.

The University's intention, in relation to its sustainability objectives, remains consistent with the October 2012 Report to the University's Regent House. These are being realised across the site in a number of ways including a network of cycle paths, district heating network, water recycling network and extensive photo-voltaic arrays.

The residential development has been delivered to Code for Sustainable Homes Level 5, meaning that domestic energy and water use will be amongst the lowest in the country. Mechanisms for delivering this include commitments to high standards of accessibility, daylighting, insulation and acoustic performance. Non-residential development is being delivered to BREEAM Excellent standards.

North West Cambridge Development's aim is to secure the University's long-term success by providing substantial community facilities, housing and commercial development for the city as a whole. It is and will continue to provide the living and research accommodation needed to enable the University to grow its research capabilities and to retain its world class position. It will encourage substantial investment in the city of Cambridge and will help the University to recruit and retain the best staff and students from around the world.

The University has been looking to develop the West Cambridge site since the mid twentieth century. Over the years, the West Cambridge site has sought to meet academic needs and is now, with an outline planning application submitted, seeking to secure new commercial research opportunities and transform West Cambridge into a world-leading innovation district.

2. Business review for the North West Cambridge Development

Development at North West Cambridge has provided the University with the unique opportunity to establish a new urban quarter of Cambridge. Eddington is different from most other housing developments in Cambridge because its aim is to secure the University's long-term success by providing substantial community facilities, housing and commercial development for the city as a whole. It is and will continue to provide the living and research accommodation needed to enable the University to grow its research capabilities and to retain its world class position. It will encourage substantial investment in the city of Cambridge and will help the University to recruit and retain the best staff and students from around the world.

Eddington will help the University to maintain its global research profile through the provision of affordable and suitable accommodation for University and College staff (primarily postdoctoral researchers), extensive academic and commercial research floor space, accommodation for post-graduate students and local centre facilities to support the new community. The development is also providing significant housing and facilities for the City more generally.

The first phase of development provides almost half the ultimate residential accommodation, as well as local centre facilities to help establish a quality of place and sense of community from the outset. Authority from Regent House to proceed with the first phase was sought in October 2012 and granted in January 2013. An extension to the first phase was subsequently granted in November 2014, and the first phase was comprehensively re-baselined in March 2016. The University's construction for phase 1 has concluded: the key worker housing was all handed over during the reporting period. There are 710 homes for University and College key workers made up of one or two bedroom units and a limited number of rooms in shared houses. There are also 325 post-graduate student rooms at Swirles Court leased by Girton College and about 700 market residential units, with the first of these being delivered by the residential developer, Hill, under their Athena brand. The local centre includes a food store, shops, primary school, doctors' surgery and community centre, and other related facilities, open space and infrastructure. Third party developments will continue in the coming years.

Throughout this time, the Board mobilised a design and construction team to deliver the first phase and realise the aspiration of the Development. A project of the size and complexity of the North West Cambridge Development presents significant challenges in its delivery. The University Council is regularly appraised of issues as they arise, as well as mitigation strategies to reduce the impact of these issues, through quarterly reports presented by the Chair of the Board and the Project Director. Since June 2016, uncertainties resulting from the UK Referendum outcome have given rise to potential changes in the financial outcomes of the development, in particular the land transfer model for market housing, which are being carefully monitored and mitigated where possible.

Notwithstanding these challenges, the development of Eddington continues to achieve the strategic aims set for the development by the University.

2.1 Key worker housing

The Board and Executive Team are seeking to provide comfortable and affordable housing for the University's key staff alongside exemplar architecture and engineering that fulfil the sustainability and quality aspirations of the North West Cambridge Development Vision. Key worker housing for University and College staff forms the basis of the University's development in the first phase, with approximately 700 units comprising one, two and four bedroom (shared) flats. All of these homes are let on a subsidised rental basis to qualifying employees through the Board's trading arm, Lodge Property Services. Demand has been

high for the apartments and void rates have been held consistently below 1% for the past year. Residents' feedback on their experience of moving into Eddington and living there is an overwhelmingly positive one¹. There has been a pronounced focus on the move from construction phase to an operating and living community. The Operations team has mobilised and flexibly responded to the increase in numbers and demands from residents. For two years the Office of Postdoctoral Affairs, which provides an academic, administrative and pastoral focus for the postdoctoral community, has had a base at the Postdoc Centre at Eddington. This Centre includes a seminar hall and meeting rooms and hosts conferences as well as support for the postdoctoral community.

2.2 *Student accommodation*

The first phase includes 325 student en-suite rooms for post-graduate students, in a complex called Swirles Court. Girton College has fully occupied Swirles Court since the start of the 2017 academic year.

2.3 *Local centre facilities*

Primary School: The University of Cambridge Primary School is the country's first primary-level University Training School, is linked with the Faculty of Education for teaching and research purposes, and will be a centre for teacher training. Open since 2015 the school started its fifth year of operation in 2019, and secured an Ofsted rating of Outstanding in all areas in its first inspection in 2018.

University Nursery: The Eddington Nursery was completed in 2018 and handed over to the operator, Bright Horizons, who accepted the first children into the nursery in October 2018. The nursery held an official opening event in November 2019 to celebrate this milestone. The nursery contributes to reducing pressure on the University's waiting list for nursery places by providing a substantial number of spaces for University staff, as well as spaces for the general public. This is in addition to statutory early years' provision for 3 and 4 year olds which will be provided at the primary school. This is the first of three nurseries that will be provided across the Development.

Community Centre: The Storey's Field Centre opened in January 2018, providing community and performing arts facilities for the new and existing community. The Centre is now fully staffed and operating 7 days a week including evening performances and events. The Centre has been focussed on establishing the venue for a range of activities that appeal to various sections of the community. Regular community bookings are now established at the Centre covering parent and toddler sessions, arts and crafts, exercise and wellbeing classes and after-school activities. Events such as weddings and celebratory parties have been held as well as the hosting of corporate meetings and seminars. The Centre caters for rock and pop gigs, classical performances, dance and drama. The Centre is a focal point for Eddington-wide festivals such as the Discovery Day held in June which celebrated sustainability in all forms and the now regular Open Eddington days held each September, as well as hosting its own food and drink, art, and cycling themed festivals. The Centre building was recognised architecturally with its shortlisting for the RIBA Stirling Prize 2018, along with other brick and wood nominations and awards. This has ensured national and international interest from architects, architectural students and interested members of the public. An original piece of tapestry artwork has been commissioned for the Centre inspired by the scientifically important work of Hertha Ayrton, who was a pioneering student at Girton College.

The management of the Community Centre is through a joint venture between the University and City Council, the Storey's Field Community Trust, with the University carrying any

¹ Cambridge Market Research 2018 and 2019

subsidy for the Trust through its first 12 years, after which both parties share the subsidy (if needed).

Local Centre Retail: The supermarket, Sainsbury's, opened in 2017. It, along with Argos, is a welcome addition to the local centre, bringing facilities and a vibrancy to the site and local neighbourhoods. A local centre retail strategy has been agreed and tenants are being secured for the other retail units, planned for opening in spring/summer 2020. There is a mobile barbers on site every week and mobile coffee provision on site every day. As part of the placemaking strategy an interim "market square activation" programme is being developed to include occasional markets, events and consideration for interim uses of retail units.

Hotel: Hotel construction has commenced on the site. A larger scale hotel than previously envisaged has been accepted, with serviced apartments to provide an expanded range of options to site visitors. The lease for the hotel provision has been signed and planning approval has been granted for the hotel/ aparthotel offer. The Quality and Sustainability Panel played a key role in ensuring the design of the hotel met University expectations. Site mobilisation has commenced from the building contractor working on behalf of the hotel proprietors. The anticipated completion of the hotel is in 2021.

The hotel will include a range of amenity facilities that will be open to both hotel visitors and wider development residents and visitors, including a restaurant and bar.

Senior Care: A good level of interest is being shown by owners/operators of senior care facilities through an open tender process. The brief for the senior care facility was developed with inputs from the Cambridge Institute of Public Health. Separate from the senior care facility, the Eddington Health Centre has been completed and handed over to the NHS for occupation.

2.4 Market housing

The first phase of development includes a number of sites for market housing development. The first market housing to be delivered on site is by Hill, which launched the Athena development for the first 240 sale homes. The show home and marketing suite opened in September 2017 and first completions and occupations occurred in 2018. Further private housing occupants continue to join the Eddington community each month. Two further land parcels have been marketed in late 2019 and preferred bidders will be identified in early 2020.

2.5 Sustainability

The University's intention, in relation to its sustainability objectives, remains consistent with the October 2012 Report to the University's Regent House. These are being realised across the site in a number of ways including the provision of a site-wide district heating system, a network of cycle paths, a water recycling network and photo-voltaic cells on the roofs of buildings. The Ridgeway cycle path connecting Girton to the City Centre is fully open. The residential development is being delivered to Code for Sustainable Homes Level 5, so that domestic energy and water use will be amongst the lowest in the country. Mechanisms for delivering this include commitments to high standards of accessibility, daylighting, insulation and acoustic performance. Non-residential development is being delivered to BREEAM Excellent standards. For the Community Centre, the University's sustainability requirements have been exceeded as the building has received a Design Stage BREEAM certification of outstanding. As considerations develop for Phase 2, alternative targets to deliver the University's sustainability objectives are being considered, to ensure that the overall development aims are being achieved and the University's wider environmental priorities, such as Carbon reduction, are also met and where possible exceeded..

2.6 *Public art*

The Public Art Strategy completed its sixth year of implementation. The Artscapers programme has drawn in local community primary schools to engage in arts, Eddington and exploring outdoor spaces.

Permanent art works in the first phase include the “Fata Morgana Teahouse” and “Pixel Wall”, designed by Winter + Hoerbelt that is located in the landscaped Western Edge, and David Batchelor’s piece “Richard of York Gave Battle in Vain” that reflects Newton’s light spectrum is situated in the community square. The design is progressing on the next piece of Western Edge art by Katrina Palmer. The Public Arts Panel has extended its remit to consider the public art on the West Cambridge site and the commissioning of the first piece by Troika for JJ Thompson Avenue is advancing.

2.7 *On-site Construction activities*

Extensive progress has been achieved on the development site over the last year, with all lots completed and handed over for occupation, a safe project environment established and over 6.3 million hours of work delivered on site, with in excess of 1,200 people working on site at peak activity. The District Heating Network has been activated and is supplying heat and hot water to the residential units, University of Cambridge Primary School, Postdoc Centre, Eddington Nursery and Storey’s Field Centre. The Community Centre which achieved a BREEAM Design Stage Certification of Outstanding, which exceeds the BREEAM Excellent requirements of the site, has been handed over and is open to the public. All key worker housing lots have been completed and are in occupation. Girton College has taken possession of Swirles Court and all postgrad rooms are occupied during term time. The shop fronts have all been completed and units are ready for fit out and occupation. The first phase of the water recycling network has been delivered through creation of a network of swales and ditches, a two stage channel and lake in the Western Edge of the development and an extensive network of water pipes to deliver the water across the site

Construction costs, contingency spends, claims and close-out of contracts are all closely monitored and within expected budgets.

As part of early preparatory works for Phase 2, an archaeological dig has uncovered a Roman Villa and out-building on the site, which has been excavated and documented. Public digs and the Open Eddington engagement were well received.

2.8 *Operations*

As the site transitions from a construction site to an operational development, a number of structures and processes have been implemented to support the establishment of the new community. An Operations Director was appointed in early 2016, and has created a full operations team, now situated in Eddington at the Estate Management Office. The Total Facilities Management Contractor, Mears, have commenced operations in October 2016 and have call-off contracts with the school, Postdoc Centre and Storey’s Field Centre. The Operations Director is also actively working with the Centre Manager for the Storey’s Field Centre to support community development initiatives in the early stages of occupation.

Operations of the site are being delivered through a number of subsidiary companies: Portal Estate Management Services is responsible for the building and site maintenance of the University controlled areas. Lodge Property Services manages all key worker housing tenancies. Core Sustainable Heat Management oversees the activities of the Energy Centre, including the metering and billing of heat and hot water usage. These companies have been established, registered with Companies House and the recruitment of the full complement of directors, including external expert directors, has been achieved. The Company Boards meet regularly throughout the year and report into the Board and Risk and Audit Committee.

2.9 Phase 2 of North West Cambridge

In April 2015 the University Council agreed to progress with investigation of the content, scope and funding models for a second phase of development, with the intention that the business case for a second phase could be taken to the Regent House for approval. The full range of options have been considered by the Board, Finance Committee and the University Council since 2017. The timetable for the Phase 2 approval process is in place, with the expectation that the business case, founded on full market tenders will be taken to the Regent House in 2020. A warrant was approved to commence the Phase 2 infrastructure design, and this is underway with Stage 2 designs now achieved. The business case will consider both qualitative and financial success criteria for the second phase.

Phase 2 will include the next tranche of homes for University and College staff, with a mix of unit sizes that responds to the demand evidenced in current Eddington tenancy applications. It will also include market accommodation for sale and rent. The infrastructure will be provided in Phase 2 to service parcels for academic departments, commercial research and student accommodation or colleges. The land to the north and west following the Ridgeway up to Huntingdon Road will be the primary development area. During 2020 a market procurement exercise will inform the business case.

3. Financial Review

The accounts shown on the following pages are consolidated accounts incorporating the following subsidiaries: Lodge Property Services Limited, Cores Sustainable Heat Limited and Portal Estate Management Limited. This is the first year that full, consolidated accounts have been provided. A reconciliation of 2018 figures to the consolidated position is shown in note 6.

The 2019 year saw the first full year of steady state Key Worker income generation. Rental income for the year increased from £4.9 Million to £8.5 Million. Rental income is expected to increase further but at lower growth rates for future years.

During the year, land to be used for Market Housing at North West Cambridge was disposed of creating a receipt of £26.8 Million. Subsequent to the year end a Hotel site was also realised.

In 2018 the investment properties were valued internally resulting in an impairment of £50.4 Million to their carrying value. For 2019 the investment properties were valued by a professional external valuer. The changing market and move to steady state of the scheme saw the 2019 valuation reverse a significant element of the 2018 valuation increasing the carrying value by £44.5 Million (full breakdown of investment property movement is included in note 3).

The project is reviewed against specific financial KPIs, including internal rate of return, net present value and peak borrowing requirement. The KPIs are heavily dependent on the rental income from the key worker housing. The original rental model governing the amount of rent to charge tenants was complex and opaque and proved to be very difficult to manage at an operational level. There are still some 60 tenants on this initial rental model. The other 90% of key worker tenants are using a simplified rental model which was agreed with the City Council in 2018. In 2019 the forecasts were updated to reflect the revised rental model and revised forecast assumptions that were being incorporated into the planning for Phase 2, including assumed rental income increases of up to 3.5%.

The activities of the Board to date have been funded through monies made available by the University and land sales. A Department for Education grant of £3.3 Million has part funded the new school on the site. To 31 July 2019, the Board had utilised £376 Million of its University facility.

4. Business review for the West Cambridge Development

In March 2014, the Planning and Resources Committee established a warrant to allow for detailed masterplanning and working up of a new planning application for the West Cambridge site.

West Cambridge is the University's opportunity to establish a world-class, well connected research and development environment focused on the physical sciences and technology that benefits Cambridge, the region and the UK – one that provides facilities that help the University to retain its globally competitive position by continuing to attract and retain the world's best academics and researchers, as well as one that supports entrepreneurship and collaboration with industry.

The masterplanning and intensification proposals for the West Cambridge site are underway. The new proposals allows for over 190,000sq.m. of additional academic development and 155,000sq.m. of commercial research development. The development proposal includes:

- new academic faculty and research facilities, and buildings for commercial research organisations and research institutes;
- expansion of the existing Sports Centre;
- additional nursery provision;
- additional amenities for site users;
- an energy strategy to support sustainable energy across the site;
- new and improved open spaces including a linear park, public art and sustainable urban drainage systems;
- extensive sustainable transport measures, including new and improved pedestrian and cycle connections, additional bus routes, implementation of a site-wide travel plan, and co-ordination with the City Deal proposals;
- vehicular access principally from Madingley Road, and new multi-storey car parks
- a shared facilities hub.

The site-wide proposals facilitate the redevelopment of the Cavendish Laboratory, which has secured planning permission and started on site, and integration of the Department of Engineering onto the West Cambridge site (including the new Civil Engineering Building which is now complete).

The masterplanning for the West Cambridge site was directed by the West Cambridge Site Development Board (WCSDB), which reported both to the Planning & Resources Committee and the West and North West Cambridge Estates Board. To ensure more integrated oversight by the Board, the WCSDB was disbanded in July 2017 and replaced with an Academic Board. The strategic and infrastructural aspects of West Cambridge now sit with the WNWCE Board. Wider city transport proposals that may impact on the West Cambridge site are being progressed with Board and executive team input.

The WNWCE Board will be looking to ensure as far as practicable that the development of both the North West and West Cambridge sites is complementary and that the scope for synergies is realised. There has been a focus on drawing in and unifying the West site with the North West site through the Academic Board and the WNWCE Board. In 2018 a Commercial Research Strategy Working Group was created which included external members and the Pro Vice Chancellor for Enterprise and Business Relations and the Pro Vice Chancellor for Research. The working Group developed a strategy across both sites that was approved by the Board and Finance Committee in early 2019. The business case for the first three commercial research buildings was approved by the Board in November 2019.

5. Governance and Risk Management

The Board was established by Ordinance². It meets bi-monthly, with an appointed external Chair. The Board is supported by an Executive team, including a full time Project Director and Financial Director, and a Head of Corporate Governance, as well as Directors individually responsible for Construction, Commercial activities and Operations. The Executive team is responsible for operational matters within the strategic context set by the Board. The Board operates within budgets which are approved by the University's Finance Committee and is required by Ordinance to produce an annual report and accounts covering its activities.

New external Board members were recruited in early 2017 and further external expert members continue to be considered for extra skills and succession planning. It is expected that a review of the University's governance arrangements for its commercial activities will include the WNWCE Board.

The governance arrangements for the project include a Risk & Audit Committee, which specifically reviews construction, income and operational risks to the project on a quarterly basis, as well as receiving deep dive reviews of specific pertinent or emerging risks. The Risk and Audit Committee also provides oversight to the trading subsidiary companies. The three trading bodies report to the Board and the Chairs of the companies are invited to join the Board at regular intervals. University's internal auditors, conduct internal audit reports on specific aspects of the project and present their findings to the Risk & Audit Committee. The Chair of the Board also reports formally to the Council on a quarterly basis. The Quarterly Reports to the Council focus on KPI performance, including financial metrics. The impact of varying rental increases is a key financial metric.

² Page 135, Statutes and Ordinances of the University of Cambridge

6. Scope of Accounts and Audit Status

The accounts include only income and expenditure arising on the development of the North West Cambridge site. Income arising from existing buildings on the West and North West Cambridge sites is reported separately to the University via its Estate Management Division. Similarly income and expenditure associated with the University Farm in this area is included in the accounts of the University Farm. There is no requirement to report income and expenditure associated with academic departments as this lies outside the ambit of the Board. All of the income and expenditure mentioned above, including that attributable to the Board, is included within the audited accounts of the Chancellor, Masters and Scholars of the University of Cambridge.

There is no requirement to undertake a formal external audit of these accounts, which do not constitute statutory accounts.

7. The Next Year

2019/20 will continue with the growth of Eddington, including occupations of further retail units alongside new residents moving into private residences. The continued building work will come from the private housing developer and the hotel operator. The Board and Executive will work on the Business Case for phase 2, including lessons learnt from Phase 1, trade-offs, market and consumer research in the proposals for the Board to make a recommendation to the Council and ultimately Regent House. Phase 2 is critical to addressing the University's concerns about housing affordability for staff more generally, and Eddington will benefit from the ongoing development as the population grows and supports local businesses and services, increases footfall, promotes market confidence and enables a vibrant community.

The operations side of the project will increase the ongoing placemaking efforts. As more residents move onto the site the need for better community enhancing facilities, such as open events, family occasions and adult orientated events grows. The next retail units will open during 2020 bringing much requested catering facilities for the resident and visiting population as well as catering for the Storey's Field Centre and OPdA. An interim pop-up retail strategy is being developed for implementation.

Actions from the 2019 Eddington residents' survey provide some focus for the coming year. Residents feel strongly that additional retail provision will improve the Eddington experience and to make their homes more comfortable there will be better explanations on controlling and operating the heating system. The Eddington team will continue to work closely with other sections of the University on sustainable transport options and local bus provision.

A challenging private market and uncertainties in relation to Brexit will continue to impact on the development if slow market conditions affect the timely delivery of the market housing and land receipts. Slow market sales present a further obstacle to developing a thriving sense of community and increasing the critical mass needed to sustain the retail offer.

ON BEHALF OF THE BOARD



Mr R Bright, Chair

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JULY 2019

	Note	2019 £000's	2018 £000's (note 6)
Rental Income		8,457	4,950
Estate Management Income		137	104
Heat Income		495	93
Total Income	1	<u>9,089</u>	<u>5,147</u>
Administrative expenses		(4,195)	(4,473)
Operating result	2	<u>4,894</u>	<u>674</u>
Revaluation		44,471	(50,428)
Result on ordinary activities before taxation		<u>49,365</u>	<u>(49,754)</u>
Interest		(16,187)	(15,090)
Result for the financial period		<u>33,178</u>	<u>(64,844)</u>

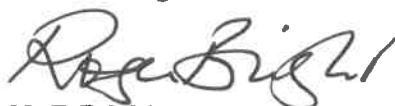
All results derive from continuing operations.

There are no differences between the profit for the financial period and its historical cost equivalent.

CONSOLIDATED BALANCE SHEET AS AT 31 JULY 2019

	Note	2019 £000's	2018 £000's (note 6)
Fixed Assets			
Tangible Assets	3	378,555	344,517
Current Assets			
Debtors	4	1,959	220
Cash at bank (held by the University of Cambridge)		3,334	433
		5,293	653
Creditors: amounts falling due within one year	5	(29,073)	(19,107)
Net current liabilities		(23,780)	(18,454)
Creditors falling due after 1 year		(375,865)	(380,331)
Net assets		(21,090)	(54,268)
Investment of Equity (from the University of Cambridge)		24,291	24,291
Grant for the Department of Education		3,301	3,301
Profit and loss reserve	6	(48,682)	(81,860)
Total Reserves		(21,090)	(54,268)

The financial statements on pages 14-19 were approved by the Board on 4th February 2020 and were signed on its behalf by:



Mr R Bright
Chair

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

Accounting policies

a) Basis of preparation

The financial statements include income and expenditure arising on the development of the North West Cambridge site. Consolidating North West Cambridge 3 subsidiary entities: Portal Estate Management Limited, Lodge Property Services Limited and Core Sustainable Heat Limited.

b) Basis of accounting

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

The financial statements have been prepared in accordance with the historical cost convention.

c) Fixed assets

Furniture & Fixtures and Office Equipment are initially recorded at cost and subsequently recorded at cost, less any accumulated depreciation. Depreciation is calculated to write off the cost of an asset less its residual value, over the useful economic life of the assets as follows:

Furniture & Fixtures – 7 years

Office Equipment – 3 years

Investment properties are valued by an external Valuer following RICs red book.

1. Income	2019	2018
	£000's	£000's
An analysis by geographical market is set out below:		
United Kingdom	9,089	5,147
2. Operating Result		
Depreciation	709	-
Auditors Remuneration	23	21

3. Tangible Fixed Assets	Land and Buildings	Investment	Fixtures and Fittings
	£000's	£000's	£000's
At 1 July 2018	19,502	327,222	-
Additions	-	17,342	5
Disposals	-	(26,760)	-
Revaluation	-	44,471	
At July 2019	19,502	362,275	5
Accumulated Depreciation			
At 1 July 2018	2,517	-	-
Depreciation	709	-	-
At 31 July 2019	3,226	-	1
Net Book Value			
At 31 July 2019	16,276	362,275	4
At 31 July 2018	16,985	327,222	-

4. Debtors	2019	2018
	£000's	£000's
Other Debtors	1,887	2
Prepayments and accrued income	72	218
	1,959	220

5. Creditors: amounts falling due within one year	2019	2018
	£000's	£000's
Trade Creditors	2,645	6,889
Other Creditors	26,356	12,115
Accruals & deferred income	72	103
	29,073	19,107

6. Consolidated Accounts

2019 is the first year that consolidated accounts have been produced. For ease of comparison 2018 comparative figures have been included in the income statement. Below reconciles how previous unconsolidated reported figures have moved.

	NWC Unconsolidated 2018 £0	Subsidiary companies £0	Internal loan interest £0	NWC Consolidated 2018 £0 Restated
Rental income	3,004	1,946		4,950
Estate management income		104		104
Heat income		93		93
Total income	3,004	2,144	0	5,147
Administrative expenses	(992)	(3,481)		(4,473)
Operating result	2,012	(1,337)	0	674
Revaluation	(50,428)			(50,428)
Result on ordinary activities	(48,416)	(1,337)		(49,754)
Interest	0	0	(15,090)	(15,090)
Result for financial period	(48,416)	(1,337)	(15,090)	(64,844)
	£0			
Total unconsolidated Finance	363,708			
Subsidiary reserves	(1,411)			
Internal interest expense	(36,565)			
Reclassification of loan balance to net assets	(380,000)			
Total Consolidated Reserves 2018	(54,268)			

7. Reconciliation of movement in Reserves

	£000's
Opening Reserves: 1 August 2018	(81,860)
Result for financial year	33,178
Additional loan financing	
Closing reserves	(48,682)

8. Ultimate parent undertaking and controlling party

The Board is a constituent part of the University of Cambridge. It is governed by the Statutes and Ordinances of the University. The results of the Board are consolidated into the financial statements of the University of Cambridge, which are published in the *Cambridge University Reporter*.