

# **Sustainable Communities for Leeds (Holdings) Limited**

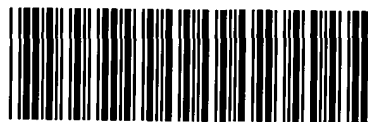
Report and Financial Statements

Year Ended

31 March 2018

Company Number 08319372

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# **Sustainable Communities for Leeds (Holdings) Limited**

**Report and financial statements  
for the year ended 31 March 2018**

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## **Contents**

### **Page:**

1	Strategic report
4	Report of the directors
6	Independent auditor's report
9	Consolidated statement of comprehensive income
10	Consolidated statement of financial position
11	Company statement of financial position
12	Consolidated statement of changes in equity
12	Company statement of changes in equity
13	Consolidated statement of cash flows
14	Notes forming part of the financial statements

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## **Directors**

D A Valks  
C Rossiter  
P Gill, appointed 6 December 2017  
E Wilson, appointed 6 December 2017  
D Vermeer, appointed 23 August 2017  
R Gillespie, appointed 26 July 2017

## **Secretary and registered office**

Pario Limited, Riversway Business Village, Unit 18 Navigation Way, Ashton-on-ribble, Preston, PR2 2YP

## **Company number**

08319372

## **Bankers**

BNY Mellon, London Branch, One Canada Square, London, E14 5AL

## **Auditors**

BDO LLP, 3 Hardman Street, Manchester, M3 3AT

# **Sustainable Communities for Leeds (Holdings) Limited**

## **Strategic report for the year ended 31 March 2018**

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The directors present their report together with the audited financial statements for the year ended 31 March 2018.

### **Business review and future developments**

The company acts as a holding company for Sustainable Communities for Leeds Limited and Sustainable Communities for Leeds (Finance) Plc.

Sustainable Communities for Leeds (Finance) Plc, acts as a fundraising company for Sustainable Communities for Leeds group of companies. The principal activity of Sustainable Communities for Leeds Limited is the refurbishment of housing stock in the Beeston, Little London and Holbeck areas of Leeds, alongside demolition of properties and construction of new-build properties. The construction period completed, short of the planned date of September 2017. During this time the company also provided facilities management services, which increased as each phase of construction was certified.

The fully operational phase of the project is planned to continue until September 2033. During this time the facilities management sub-contractor will continue to provide planned and reactive maintenance as per the contracts in place. This includes management of a helpdesk available for issues and works required to be logged. Reporting continues to the Authority, Leeds City Council, and group on a monthly basis and to the Majority Creditor, guarantor of the Bond, on a quarterly basis. Monthly meetings are held to address any issues that have arisen and agree any re-charges which may be due to the Authority, as part of the monthly unitary charge invoice. Bondholder reports continue to be prepared and issued on a semi-annual basis.

Board meetings are held on a quarterly basis with one Annual General Meeting held in July to approve the accounts. In addition, a Bondholder Presentation Meeting is held around the anniversary of Financial Close which was July 2013. Bondholder documents are issued through the Bond Trustee, Bank of New York Mellon. Relationships with all Finance Parties continues to be strong and on a collaborative basis.

The forthcoming year is expected to bring the continued delivery of high quality services to the client of Sustainable Communities for Leeds Limited, with business performance meeting shareholder expectations.

The company is showing a small profit which is to be expected as the project continues. All costs are now being expensed and additional modelled costs, for example lifecycle, are now being incurred. This is reflected in the cost of sales figure and further in turnover. Part of the retention was released in the year, as per the contract. Accruals are significantly higher. This is due to the payment date for the Bond capital and interest falling on a non-working day. This also explains the movement in cash. Payments are then made on the next working day which takes it into the next month, April. This is as per the contract.

As at 31 March 2018, all rental and new build properties have been certified, as per the planned programme, with minor highways works outstanding. These works are the responsibility of Leeds City Council.

Finance for the project has been raised from the issue of Bonds of £101,833,000, Subordinated Debt from Shareholders of £12,680,000 and funding from Leeds City Council of £42,600,000. The Bonds are listed on the Irish Stock Exchange.

### **Principal risks and uncertainties**

The company has taken on the activity as detailed above and the group in which it sits is risk averse in its trading relationships with its customer, funders and sub-contractors as determined by the terms of their respective detailed PFI contracts. In extreme circumstances, the group could be exposed to subcontractor failure to perform their obligations. The financial risks and the measures taken to mitigate them are as detailed in the following section.

# **Sustainable Communities for Leeds (Holdings) Limited**

## **Strategic report for the year ended 31 March 2018 (*continued*)**

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### **Going concern**

The financial statements have been prepared on a going concern basis. The directors have prepared projected cash flow information for at least twelve months from the date of their approval of these financial statements. On the basis of this cash flow information, the directors consider that the group will continue to operate within the long term facility currently agreed. In addition, during the operational phase of the project, sufficient cash flow has been, and is, projected to continue to be generated to allow the group to meet its liabilities as they fall due for payment. The project is continuing in line with the expected business model. The group continues in line with the forecast to generate profits in future years through the maintenance phase of the project once the build phase is completed. Accordingly, despite the context of an uncertain economic climate the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future and therefore adopt the going concern basis in preparing the annual report and financial statements.

### **Financial risk management**

The group has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the company's performance. The board has policies for managing each of these risks and they are summarised below:

#### *Interest rate risk*

The Bond and subordinated debt interest in Sustainable Communities for Leeds (Finance) Plc have been fixed. Because of this the interest due for payment can be easily forecast until the point when the debt is fully repaid.

#### *Liquidity risk*

The company acts as a fundraising company for the Sustainable Communities for Leeds group of companies. The funds raised from the issue of Loan Notes and Equity are passed through to Sustainable Communities for Leeds Limited. When payments are made to Loan Note holders these are passed from Sustainable Communities for Leeds Limited through the company. No cash is held within the company. Liquidity within the group is managed through the operational model which forecasts the receipts from the unitary charge and the costs to be paid. The cost are fixed at the beginning of the project and only increased by indexation.

#### *Credit risk*

The Fixed Rate Guarantee Bonds are listed on the Irish Stock Exchange. The Bonds are guaranteed by an institution of a suitable credit quality. Each year an annual review is carried out by Moody's and Standard & Poor's to assess the performance of the group. Moody's published a review April 2018 stating the underlying rate will remain at A3. Standard & Poor's published a review in May 2018 stating the underlying rate will remain at A-.

#### *Market risk*

Whilst the Bond is listed on the Irish Stock Exchange, the repayments on the Bond are fixed and as such the Board does not consider that they are at risk from movements in the market valuation.

### **Key performance indicators**

The group operations are managed under the supervision of its shareholders and funders and are largely determined by the detailed terms of the PFI contract which stipulates key performance criteria on operational activities performed by Sustainable Communities for Leeds Limited. The performance of the group against the contract is progressing satisfactorily. The operational KPI's are detailed as part of the payment mechanism. These include monitoring planned and reactive works carried out within contractually defined timescales and level of customer complaints. They are all audited on an annual basis. This audit is carried out with the company and Leeds City Council to ensure they are monitored and reported correctly. It is envisaged this schedule of audit will continue throughout the term of the project.

The financial progress of the project is monitored using the model which is up-dated for actuals on a semi-annual basis. The model calculates two ratios for the remainder of the project. These are Debt Service Cover Ratio and Loan Life Cover Ratio. The contract states the lock-up and default levels for these ratios and the model flags if the ratios drop below these levels. The model will also calculate the level of distributions to be made. The model has to be agreed with the Majority Creditor before any distributions can be made.

# **Sustainable Communities for Leeds (Holdings) Limited**

**Strategic report**  
**for the year ended 31 March 2018 (*continued*)**

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## **Approval**

This strategic report was approved on behalf of the Board on 23 July 2018.

  
R Gillespie  
Director

# **Sustainable Communities for Leeds (Holdings) Limited**

## **Report of the directors for the year ended 31 March 2018**

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The directors present their report together with the audited financial statements for the year ended 31 March 2018.

### **Principal activities**

The company is a parent company with two subsidiaries, Sustainable Communities for Leeds Limited and Sustainable Communities for Leeds (Finance) Plc, whose principal activity is that of refurbishing, designing, financing, building and provision of maintenance services in respect of social housing in the Leeds area under a Private Finance Initiative (PFI) contract with Leeds City Council. The main activity of Sustainable Communities for Leeds (Holdings) Limited is to act as a holding company.

### **Directors**

The directors of the company during the year ended 31 March 2018, and up to the date of signing the financial statements were:

D A Valks, appointed 25 January 2017, resigned 1 June 2018  
C Rossiter, resigned 1 June 2018  
D Joyce, resigned 6 December 2017  
S L Jones, resigned 23 August 2017  
J Crouch, resigned 26 July 2017  
K Simpson, appointed 26 April 2017, resigned 6 December 2017  
K Brown, resigned 26 April 2017  
P Gill, appointed 6 December 2017  
E Wilson, appointed 6 December 2017  
D Vermeer, appointed 23 Aug 2017  
R Gillespie, appointed 26 Jul 2017

### **Dividends**

A dividend was not proposed in the year (2017: £Nil).

### **Employment policy**

The company has no employees.

### **Directors' responsibilities**

The directors are responsible for preparing the report of the directors 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

# Sustainable Communities for Leeds (Holdings) Limited

## Report of the directors for the year ended 31 March 2018 (continued)

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.

### Statement of disclosure of information to the auditor

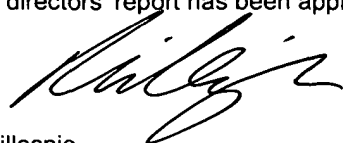
In the case of each of the persons who are directors at the time when the report is approved under Section 418 of the Companies Act 2006, and the following applies:

- (a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) they 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 auditors are aware of that information; and
- (c) confirm the accounts have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

### Post balance sheet events

Engie Services Holding (UK) Limited sold its equity share in the group to Equitix Housing 2 Limited on 1 June 2018. This has had no impact on the performance of the service provider or shareholder.

The directors' report has been approved by the Board and signed on its behalf by



R Gillespie

**Director**

Date 23 July 2018

# **Sustainable Communities for Leeds (Holdings) Limited**

## **Independent auditor's report to the members of Sustainable Communities For Leeds (Holdings) Limited**

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### **Opinion**

We have audited the financial statements of Sustainable Communities For Leeds (Holdings) Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 March 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and Notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2018 and of the Group's profit 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.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



# **Sustainable Communities for Leeds (Holdings) Limited**

## **Independent auditor's report to the members of Sustainable Communities For Leeds (Holdings) Limited (continued)**

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### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Report of the Directors have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Report of the Directors.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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.

### **Responsibilities of Directors**

As explained more fully in the Directors' responsibilities statement set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## **Sustainable Communities for Leeds (Holdings) Limited**

### **Independent auditor's report to the members of Sustainable Communities For Leeds (Holdings) Limited (continued)**

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#### **Use of our report**

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**BDO LLP**

#### **Hamid Ghafoor (Senior Statutory Auditor)**

For and on behalf of BDO LLP, statutory auditor  
3 Hardman Street, Manchester, M3 3AT

Date **27/07/2018**

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Sustainable Communities for Leeds (Holdings) Limited

## Consolidated statement of comprehensive income for the year ended 31 March 2018

	Note	2018 £	2017 £
<b>Turnover</b>		<b>4,880,449</b>	3,367,638
Cost of sales		<u>(3,264,503)</u>	<u>(2,399,818)</u>
<b>Operating profit</b>	3	<b>1,615,946</b>	967,820
Interest receivable and similar income	4	<b>6,349,079</b>	6,318,458
Interest payable and similar charges	5	<u>(7,837,869)</u>	<u>(7,817,248)</u>
<b>Profit/(Loss) on ordinary activities before taxation</b>		<b>127,156</b>	(530,970)
Taxation on profit/(loss) from ordinary activities	6	<u>(24,160)</u>	<u>(30,568)</u>
<b>Profit/(Loss) on ordinary activities after taxation and total comprehensive income</b>		<u><b>102,996</b></u>	<u>(561,538)</u>

The group operations have been engaged solely in continuing activities in a single class of business within the United Kingdom.

There is no difference between the loss for the financial period as shown in the statement of comprehensive income and its historical cost equivalent.

The notes on pages 14 to 28 form part of these financial statements.

# Sustainable Communities for Leeds (Holdings) Limited

## Consolidated statement of financial position at 31 March 2018

<b>Company number 08319372</b>	<b>Note</b>	<b>2018 £</b>	<b>2018 £</b>	<b>2017 £</b>	<b>2017 £</b>
<b>Current assets</b>					
Debtors:					
- amounts falling due within one year	9	6,046,625		5,556,826	
- amounts falling due after more than one year	9	92,334,398		97,308,271	
Cash at bank		16,184,093		13,791,650	
		<u>114,565,116</u>		<u>116,656,747</u>	
<b>Creditors: amounts falling due within one year</b>	12	<u>(17,280,136)</u>		<u>(14,084,565)</u>	
<b>Net current assets</b>			<u>97,284,980</u>		<u>102,572,182</u>
<b>Total assets less current liabilities</b>			<u>97,284,980</u>		<u>102,572,182</u>
<b>Creditors: amounts falling due after more than one year</b>	12		<u>(107,600,832)</u>		<u>(112,991,030)</u>
<b>Net liabilities</b>			<u>(10,315,852)</u>		<u>(10,418,848)</u>
<b>Capital and reserves</b>					
Called up share capital	15		51,000		51,000
Profit and loss account			<u>(10,366,852)</u>		<u>(10,469,848)</u>
<b>Shareholders' deficit</b>			<u>(10,315,852)</u>		<u>(10,418,848)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 23 July 2018.

  
R Gillespie  
Director

The notes on pages 14 to 28 form part of these financial statements.

# Sustainable Communities for Leeds (Holdings) Limited

## Company statement of financial position at 31 March 2018

<b>Company number 08319372</b>	<b>Note</b>	<b>2018 £</b>	<b>2018 £</b>	<b>2017 £</b>	<b>2017 £</b>
<b>Fixed assets</b>					
Investments	7		51,000		51,000
<b>Current assets</b>					
Debtors:					
- amounts falling due within one year	8	430,357		1,764,346	
- amounts falling due after more than one year	8	17,402,608		17,832,965	
Cash at bank		-		-	
		<u>17,832,965</u>		<u>19,597,311</u>	
<b>Creditors: amounts falling due within one year</b>	11	<u>(430,357)</u>		<u>(1,764,346)</u>	
<b>Net current assets</b>			<u>17,402,608</u>		<u>17,832,965</u>
<b>Total assets less current liabilities</b>			<u>17,453,608</u>		<u>17,883,965</u>
<b>Creditors: amounts falling due after more than one year</b>	11		<u>(17,402,608)</u>		<u>(17,832,965)</u>
<b>Net assets</b>			<u>51,000</u>		<u>51,000</u>
<b>Capital and reserves</b>					
Called up share capital	15		51,000		51,000
Profit and loss account			-		-
<b>Shareholders' funds</b>			<u>51,000</u>		<u>51,000</u>

The entity has taken exemption from presenting its unconsolidated profit and loss account under section 408 of Companies Act 2006. The company did not record a profit in the year (2017: £Nil).

The financial statements were approved by the Board of Directors and authorised for issue on 23 July 2018.

  
R Gillespie  
Director

The notes on pages 14 to 28 form part of these financial statements.

## Sustainable Communities for Leeds (Holdings) Limited

### Statement of changes in equity for the year ended 31 March 2018

Group	Share capital £	Profit and loss £	Total £
1 April 2016	51,000	(9,908,310)	(9,857,310)
Profit for the year	-	(561,538)	(561,538)
31 March 2017	51,000	(10,469,848)	(10,418,848)
1 April 2017	51,000	(10,469,848)	(10,418,848)
Profit for the year	-	102,996	102,996
<b>31 March 2018</b>	<b>51,000</b>	<b>(10,366,852)</b>	<b>(10,315,852)</b>

Company	Share capital £	Profit and loss £	Total £
1 April 2016	51,000	-	51,000
Profit for the year	-	-	-
31 March 2017	51,000	-	51,000
1 April 2017	51,000	-	51,000
Profit for the year	-	-	-
<b>31 March 2018</b>	<b>51,000</b>	<b>-</b>	<b>51,000</b>

The notes on pages 14 to 28 form part of these financial statements.

# Sustainable Communities for Leeds (Holdings) Limited

## Consolidated statement of cash flows for the year ended 31 March 2018

	Note	2018 £	2017 £
<b>Cash flows from operating activities</b>			
<b>Operating Profit for the financial year</b>		<b>1,615,946</b>	967,820
Adjustments for:			
Decrease/(increase) in trade and other debtors		4,459,914	(1,189,687)
Increase in trade creditors		712,144	126,543
Decrease in provisions		(917,171)	(2,983,306)
<b>Cash generated from/(used up in) operations</b>		<b>4,254,887</b>	(4,046,450)
<b>Net cash generated from/(used up in) operating activities</b>		<b>5,870,833</b>	(3,078,630)
<b>Cash flows from investing activities</b>			
Interest received	4	6,349,079	6,318,458
<b>Net cash from investing activities</b>		<b>6,349,079</b>	6,318,458
<b>Cash flows from financing activities</b>			
Movement on Bond creditor		(225,255)	253,603
Movement on subordinated debt		(1,764,346)	2,095,151
Finance costs	5	(7,837,869)	(7,817,248)
<b>Net cash used in financing activities</b>		<b>(9,827,470)</b>	(5,468,494)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,392,443</b>	(2,228,666)
Cash and cash equivalents at beginning of year		13,791,650	16,020,316
<b>Cash and cash equivalents at end of year</b>		<b>16,184,093</b>	13,791,650
<b>Cash and cash equivalents comprise:</b>			
Cash at bank and in hand		16,184,093	13,791,650
		<b>16,184,093</b>	13,791,650

The notes on page 14 to 28 form part of these financial statements.

# Sustainable Communities for Leeds (Holdings) Limited

## Notes forming part of the financial statements for the year ended 31 March 2018

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### 1 Accounting policies

Sustainable Communities for Leeds (Holdings) Limited is a company incorporated in England and Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the group's operations and its principal activities are set out in the strategic report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

#### *Basis of preparation of accounts*

The financial statements are group statements and have been prepared by consolidating the results of all the subsidiary bodies within the Sustainable Communities for Leeds (Holdings) Limited group in accordance with FRS 102.

#### *Parent company exemptions*

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;
- No cash flow statement has been presented for the parent company; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

#### *Going concern*

The financial statements have been prepared on a going concern basis. The directors have prepared projected cash flow information for at least twelve months from the date of their approval of these financial statements. On the basis of this cash flow information, the directors consider that the group will continue to operate within the long term facility currently agreed. In addition, during the operational phase of the project, sufficient cash flow has been, and is, projected to continue to be generated to allow the group to meet its liabilities as they fall due for payment. The project is continuing in line with the expected business model. The group continues in line with the forecast to generate profits in future years through the maintenance phase of the project once the build phase is completed. Accordingly, despite the context of an uncertain economic climate the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future and therefore adopt the going concern basis in preparing the annual report and financial statements.

#### *Turnover*

Turnover represents a margin applied to the costs incurred during the operational phase of the project. The margin is driven by the model. All turnover originates in the United Kingdom.

The group recognises income when it has fully fulfilled its contractual obligations. In accordance with Financial Reporting Standard (FRS) 102, the group includes sales and purchase transactions related to variations under the original contract where the benefits and risks are retained by the group, within the financial statements as turnover and operating costs.



# Sustainable Communities for Leeds (Holdings) Limited

## Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

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### 1 Accounting policies (continued)

Transactions to which the group does not have access to all the significant benefits and risks are excluded from the financial statements.

#### *Taxation*

Current tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date where an event or transaction has occurred at the balance sheet date that results in an obligation to pay more or less tax in future.

Deferred tax is measured at the average tax rates that are expected to reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised only to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are not discounted.

#### *Investments*

Investments in subsidiary undertakings are stated at cost less an appropriate provision to reflect any impairment in the value of the investments.

#### *Finance costs*

In accordance with FRS 102, all finance costs, which are directly attributable to the issuing of the debt, are offset against the related borrowings within creditors and amortised over the life of those borrowings.

#### *Financial asset - contract debtor*

Attributable finance costs incurred on debt borrowings during the construction phase were capitalised on a gross basis before the deduction of any tax relief, in line with related construction activity. The amounts receivable are treated as a long term contract debtor with a constant amount of the planned net revenue arising from the project being allocated to remunerate the contract debtor. Imputed interest receivable is allocated to the contract debtor using a property specific rate to generate a constant rate of return over the life of the contract. Over the course of the contract term the contract debtor is expected to be fully repaid. The remainder of the PFI unitary charge income is included in turnover in accordance with FRS 102. The group recognises income in respect of services it provides as it fulfils its contractual obligations in respect of those services.

#### *Financial Guarantor*

The Bond repayments are guaranteed by the Majority Creditor, Assured Guaranty Municipal Corporation and Assured Guaranty (Europe) Limited. The amounts guaranteed are those due for payment but are unpaid by reason of non-payment by the company. They do not guarantee prepayments or accelerated payments.

#### *Major maintenance replacement*

Income is deferred to future periods, as described above in financial asset - contract debtor accounting policy, to cover the future major maintenance expenditure, in order to match the element of income with the costs to which it relates. The turnover and costs of sale are recorded, in the profit and loss account, in the period in which the costs of major maintenance replacement are incurred.

# **Sustainable Communities for Leeds (Holdings) Limited**

**Notes forming part of the financial statements  
for the year ended 31 March 2018 (continued)**

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## *Contract retentions*

Contract retentions represent amounts due once certain criteria on projects are fulfilled, and are provided at agreed contract rates.

## **2 Judgement in applying accounting plans and key sources of estimation uncertainty**

The group makes estimates and assumptions concerning the future. Management are also required to exercise judgment in the process of applying the group accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes judgements on the recoverability of the amounts recoverable on long term contracts, based on the receipt of the unitary fee by its subsidiary company, Sustainable Communities for Leeds Limited, in accordance with the contractual payment mechanisms contained in the project agreement with its client, Leeds City Council.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Certain critical accounting judgements in applying the subsidiary company's accounting policies are described below:

- Accounting for the service concession contract and finance debtors requires an estimation of service margins, finance debtors interest rates and associated amortisation profile which is based on forecasted results of the PFI contract.

## **3 Operating profit**

The group and company had no employees during the year other than the directors. No remuneration was paid directly by the group or company to the directors in respect of their services to group and company.

The amounts paid by the company relating to the services of C Rossiter, D A Valks, S L Jones, J Crouch, K Brown, R Gillespie, D Vermeer, K Simpson, P Gill, E Wilson and D Joyce totalled £42,908 (2017 - £45,000) and reflect the secondment costs recharged to the company by each shareholder. None of the directors received any defined benefit or defined contribution pension scheme contributions from the company.

The auditors' remuneration in respect of the audit of the group's financial statements was £30,500 (2017 - £24,600). These costs have been borne by Sustainable Communities for Leeds Limited, of which £1,800 (2017 - £1,600) relates to the audit of Sustainable Communities for Leeds (Finance) Plc, and £2,500 (2017- £1,550) relates to Sustainable Communities for Leeds (Holdings) Limited, has not been recharged. The remuneration due to the company's auditors for the year for the provision of tax compliance services was £Nil (2017 - £4,000).

# Sustainable Communities for Leeds (Holdings) Limited

Notes forming part of the financial statements  
for the year ended 31 March 2018 (*continued*)

## 4 Interest receivable and similar income

Company	2018 £	2017 £
Interest on amounts due to group undertakings	2,233,747	2,145,151
	<u>2,233,747</u>	<u>2,145,151</u>
 Group	 2018 £	 2017 £
Finance debtor imputed interest	6,349,079	6,309,285
Interest receivable	-	9,173
	<u>6,349,079</u>	<u>6,318,458</u>

# Sustainable Communities for Leeds (Holdings) Limited

Notes forming part of the financial statements  
for the year ended 31 March 2018 (*continued*)

## 5 Interest payable and similar charges

<b>Company</b>	<b>2018 £</b>	<b>2017 £</b>
Interest on amounts due to group undertakings	2,233,747	2,145,151
	<u>2,233,747</u>	<u>2,145,151</u>

<b>Group</b>	<b>2018 £</b>	<b>2017 £</b>
Interest and fees payable on Bond	5,149,484	5,160,394
Interest on subordinated loan	2,233,747	2,147,752
Amortisation of fees	144,397	203,603
Finance guarantor ongoing fee	310,241	305,499
	<u>7,837,869</u>	<u>7,817,248</u>

## Sustainable Communities for Leeds (Holdings) Limited

Notes forming part of the financial statements  
for the year ended 31 March 2018 (*continued*)

### 6 Taxation on loss from ordinary activities

#### a) Analysis of tax charge for the year

	2018 £	2017 £
<i>Deferred tax:</i>		
Origination and reversal of timing differences	-	(90,265)
Effect of tax rate change on opening deferred tax balance	24,160	120,833
	<hr/>	<hr/>
Tax charge on ordinary activities	24,160	30,568
	<hr/>	<hr/>

#### b) Factors affecting current tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 19%. The differences are explained below:

	2018 £	2017 £
Profit/(Loss) on ordinary activities before tax	127,156	(530,970)
	<hr/>	<hr/>
Loss on ordinary activities multiplied by effective rate of corporation tax in the UK of 19% (2017 - 20%)	24,160	(106,194)
Effect of:		
Adjustment in relation to rate changes on deferred tax	-	136,762
	<hr/>	<hr/>
Tax for the year (note 7(a))	24,160	30,568
	<hr/>	<hr/>

The group has losses of £12,487,118 (2017 - £12,614,276) available to carry forward against future taxable profits.

# Sustainable Communities for Leeds (Holdings) Limited

Notes forming part of the financial statements  
for the year ended 31 March 2018 (continued)

## 7 Investments in subsidiary undertakings

	2018 £	2017 £
Company		
Cost and net book value	51,000	51,000

The directors consider the value of the investments to be supported by the Project Agreement held with Leeds City Council to provide the services for an operating period of 19 years.

The investment represents a holding of 100% of the £1 ordinary issued equity share capital of both Sustainable Communities for Leeds Limited and Sustainable Communities for Leeds (Finance) Plc. The principal activity of Sustainable Communities for Leeds Limited is the refurbishment and development of properties in Leeds. The principal activity of Sustainable Communities for Leeds (Finance) Plc is the raising of finance.

Both of the subsidiaries have been fully consolidated.

The group has no investments.

All companies within the group have the same registered address, Unit 18, Riversway Business Village, Navigation Way, Ashton-on-ribble, Preston, PR2 2YP.

## 8 Debtors – Company

	2018 £	2017 £
Amounts falling due within one year:		
Amounts owed by group undertakings	430,357	1,764,346

	2018 £	2017 £
Amounts falling due after more than one year:		
Amounts owed by group undertakings	17,402,608	17,832,965

A loan has been made from Sustainable Communities for Leeds (Holdings) Limited to Sustainable Communities (Finance) Plc. Interest accrues on amounts owed by group undertakings relating to the loan, at a fixed rate of 11.75% per annum. The loan is repayable by instalments from 30 September 2017 and over the remaining life of the project, and is unsecured.

## Sustainable Communities for Leeds (Holdings) Limited

Notes forming part of the financial statements  
for the year ended 31 March 2018 *(continued)*

### 9 Debtors - Group

	2018 £	2017 £
Amounts falling due within one year:		
Amounts recoverable on contracts	5,808,294	5,287,091
Trade debtors	6,802	-
Prepayments and accrued income	231,529	269,735
	<u>6,046,625</u>	<u>5,556,826</u>
Amounts falling due after more than one year:		
Amounts recoverable on contracts	90,214,131	95,163,844
Deferred tax asset (note 11)	2,120,267	2,144,427
	<u>92,334,398</u>	<u>97,308,271</u>

# Sustainable Communities for Leeds (Holdings) Limited

Notes forming part of the financial statements  
for the year ended 31 March 2018 (*continued*)

## 10 Deferred tax asset

	2018 £	2017 £
Deferred tax asset	2,144,427	2,144,427
The movement in deferred tax during the year are as follows:		
At 1 April	2,144,427	2,174,995
Charge to the profit and loss account (note 7(a))	(24,160)	(30,568)
At 31 March	2,120,267	2,144,427
The deferred tax asset consists of:		
Tax losses available	2,120,267	2,144,427

## 11 Creditors - Company

	2018 £	2017 £
Amounts falling within one year:		
Subordinated loan (note 14)	430,357	1,764,346
	430,357	1,764,346
Amounts falling after more than one year:		
Subordinated loan (note 14)	17,402,608	17,832,965
	17,402,608	17,832,965



## Sustainable Communities for Leeds (Holdings) Limited

Notes forming part of the financial statements  
for the year ended 31 March 2018 (continued)

### 12 Creditors - Group

	2018 £	2017 £
Amounts falling due within one year:		
Bond (note 14)	11,933,728	4,627,859
Subordinated loan (note 14)	430,357	1,764,346
Trade creditors	440,144	293,337
Retention provision	3,604,764	7,179,790
VAT Creditor	707,215	141,878
Accruals and deferred income	163,928	77,355
	<u>17,280,136</u>	<u>14,084,565</u>

Amounts falling due after more than one year:

Bond (note 14)	90,198,224	95,158,065
Subordinated loan (note 14)	17,402,608	17,832,965
	<u>107,600,832</u>	<u>112,991,030</u>

### 13 Loans and borrowings

Company	2018 £	2017 £
Amounts owed to group undertakings - loan	<u>17,832,965</u>	<u>19,597,311</u>
Maturity of debt:		
Within one year	430,357	1,764,346
Between one and two years	547,941	430,357
Between two and five years	1,925,632	1,806,284
In more than five years	14,929,035	15,596,324
	<u>17,832,965</u>	<u>19,597,311</u>

Bond at 31 March 2018 totalled £101,463,365 (excluding issue costs) (2017 - £101,833,000) and is repayable over 19 years on fixed dates which commenced on 30 September 2017.

There is an intercompany (subordinated) loan made from Sustainable Communities for Leeds (Holdings) Limited to Sustainable Communities for Leeds (Finance) Plc of £12,832,965 (2017 - £12,680,000) excluding issue costs. This is repayable over the remaining life of the project. Interest is payable at a rate of 11.75%, and the loan is unsecured.

The total issue costs of the Bond amounts to £2,817,518 (2017 - £2,817,518) with £1,843,472 remaining unamortised at 31 March 2018 (2017 - £2,047,076).

## Sustainable Communities for Leeds (Holdings) Limited

Notes forming part of the financial statements  
for the year ended 31 March 2018 (*continued*)

### 13 Loans and borrowings (continued)

Group	2018 £	2017 £
Bond	101,463,345	101,833,000
Subordinated loan	17,910,241	19,597,311
	<hr/>	<hr/>
	119,373,586	121,430,311
Less: amortised issue costs	(1,902,679)	(2,047,076)
	<hr/>	<hr/>
	117,470,907	119,383,235
	<hr/>	<hr/>
Maturity of debt:		
Within one year	10,055,612	6,392,205
Between one and two years	6,469,530	5,797,444
Between two and five years	21,091,621	20,373,548
In more than five years	81,756,823	88,867,114
	<hr/>	<hr/>
	119,373,586	121,430,311
Less: amortised debt issue costs	(1,902,679)	(2,047,076)
	<hr/>	<hr/>
	117,470,907	119,383,235
	<hr/>	<hr/>

Bonds at 31 March 2018 totalled £101,463,365 (excluding issue costs) (2017 - £101,833,000). Interest is charged at a rate of 5.069%. The Bonds are due for repayment by September 2032. The group is to repay the Bonds in 39 instalments. Bonds held at 31 March 2018 are £101,463,365 (2017 - £101,833,000).

The shareholders purchased loan notes, from Sustainable Communities for Leeds (Holdings) Limited, of £12,680,000 (2017 - £12,680,000) excluding issue costs. This is repayable over the remaining life of the project. Interest is payable at a rate of 11.75%, and the loan is unsecured.

## Sustainable Communities for Leeds (Holdings) Limited

Notes forming part of the financial statements  
for the year ended 31 March 2018 *(continued)*

14 Financial Instruments	Group	Group	Company	Company
	2018 £	2017 £	2018 £	2017 £
<b>Financial Assets</b>				
Financial assets that are measured at amortised cost	114,344,836	116,387,012	17,832,965	19,597,311
<b>Financial Liabilities</b>				
Financial liabilities that are measured at amortised cost	125,017,447	127,075,595	17,832,965	19,597,311
Interest receivable on financial assets measured at amortised cost	6,349,079	6,318,458	2,233,747	2,145,151
Interest payable on financial liabilities measured at amortised cost	7,837,869	7,817,248	2,233,747	2,145,151

Financial assets measured at amortised cost comprise Trade debtors and amounts owed by group companies.

Financial liabilities measured at amortised cost comprise Trade creditors, intergroup loans and Bond. Information regarding the group's exposure to and management of credit risk, liquidity risk, market risk, and interest rate risk is included in the Directors' report.

15 Share capital	Allotted, called up and fully paid			
Company and group	2018 Number	2017 Number	2018 £	2017 £
Ordinary shares of £1 each	51,000	51,000	51,000	51,000

## Sustainable Communities for Leeds (Holdings) Limited

Notes forming part of the financial statements  
for the year ended 31 March 2018 (*continued*)

### 16 Commitments

#### Group

Under the terms of a contract dated 11 July 2013 between Sustainable Communities for Leeds Limited and Keepmoat Limited, Sustainable Communities for Leeds Limited is committed to payments totalling £145,187,363 in respect of a design and construction services contract. Payments are made as the design and construction works progress. Works invoiced in the year to 31 March 2018 were £8,112,051 (2017 - £13,307,155). The outstanding commitment at 31 March 2018 is £4,101,540 of which £3,604,764 is retention. (2017 - £7,179,790).

	2018 £	2017 £
Within one year	4,101,540	5,166,590
Between one and two years	-	3,604,764
	<hr/> 4,101,540	<hr/> 8,771,354

Under the terms of a Facilities Management Agreement between Sustainable Communities for Leeds Limited and Keepmoat Limited, Sustainable Communities for Leeds Limited is committed to pay £15,579,071 in Lifecycle costs net of any deductions that are for the account of Keepmoat in the period to 31 March 2033. Payments in the year to 31 March 2018 were £23,178 (2017 - £Nil). The outstanding commitment at 31 March 2018 is £15,555,893 (2017 - £15,579,071).

	2018 £	2017 £
Within one year	51,283	69,533
Between one and two years	51,283	51,283
Between two and five years	354,065	204,468
In more than five years	15,099,262	15,253,787
	<hr/> 15,555,893	<hr/> 15,579,071

# **Sustainable Communities for Leeds (Holdings) Limited**

**Notes forming part of the financial statements  
for the year ended 31 March 2018 (continued)**

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## **17 Related party transactions**

### **Group and Company**

Related party transactions during the year consisted of long-term loan facilities and general operating costs with Keepmoat Limited, Equitix Housing 2 Limited, Aberdeen Infrastructure Investments (No5) Limited, Pension Infrastructure Platform Limited and Keepmoat PFI Leeds Limited and are disclosed below stated net of value added tax (where applicable).

On 6 December 2017 Aberdeen Infrastructure Investments (No5) Limited sold their 50% shareholding to Pension Infrastructure Platform Limited.

The group has taken advantage of the FRS 102 exemption not to disclose intra group transactions.

### **Equitix Housing 2 Limited – Shareholder of the group**

During the period, Sustainable Communities for Leeds Limited has:

- Paid Director's fees of £10,762 (2017 - £11,250). At 31 March 2018 outstanding payment due was £3,560 (2017 - £3,750).

During the period, Sustainable Communities for Leeds Limited Holdings has:

- Paid interest of £893,498 (2017 - £Nil). At 31 March 2018, subordinated debt interest payments due totalled £Nil (2017 - £2,777,835).
- Paid capital of £705,738 (2017 - £Nil). At 31 March 2018, subordinated debt capital balance due totalled £4,366,262 (2017 - £5,072,000).

### **Aberdeen Infrastructure Investments (No5) Limited – Shareholder of the group**

During the period until 6 December 2017, Sustainable Communities for Leeds Limited:

- Paid Director's fees of £10,762 (2017 - £11,250). At 31 March 2018 outstanding payment due was £Nil (2017 - £3,750).

During the period, Sustainable Communities for Leeds Holdings Limited has:

- Paid interest of £577,248 (2017 - £Nil). At 31 March 2018, subordinated debt interest payments due totalled £Nil (2017 - £3,472,294).
- Paid capital of £588,311 (2017 - £Nil). At 31 March 2018, subordinated debt capital balance due totalled £Nil (2017 - £6,340,000).

### **Keepmoat PFI Leeds Limited – Shareholder of the group**

During the year, Sustainable Communities for Leeds Limited has:

- Paid Director's fees of £10,762 (2017 - £11,250). At 31 March 2018 outstanding payment due was £3,560 (2017 - £3,750).

During the period, Sustainable Communities for Leeds Holdings Limited has:

- Paid interest of £223,375 (2017 - £Nil). At 31 March 2018, subordinated debt interest balance due totalled £Nil (2017 - £694,458).
- Paid capital of £176,434 (2017 - £Nil). At 31 March 2018, subordinated debt capital balance due totalled £1,091,566 (2017 - £1,268,000).

# **Sustainable Communities for Leeds (Holdings) Limited**

**Notes forming part of the financial statements  
for the year ended 31 March 2018 (continued)**

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## **17 Related party transactions (continued)**

### **Pension Infrastructure Platform (PIP) Limited – Shareholder of the group**

There have been no Director's fee payments made to PIP Ltd within the period from 6 December 2017 to 31 March 2018. At 31 March 2018 outstanding payment due was £3,560 (2017 - £Nil).

During the period, Sustainable Communities for Leeds Holdings Limited has:

- Paid interest of £539,625 (2017 - £Nil). At 31 March 2018, subordinated debt interest balance due totalled £Nil (2017 - £Nil).
- Paid capital of £293,862 (2017 - £Nil). At 31 March 2018, subordinated debt capital balance due totalled £5,457,827 (2017 - £Nil).

### **Keepmoat Regeneration (FHM) Limited – of common directorship**

During the period, Sustainable Communities for Leeds Limited has:

- Paid Facilities Management costs of £2,268,882 (2017 - £2,145,146). At 31 March 2018 outstanding payment due was £193,721 (2017 - £184,608).
- Paid Building Contract costs of £8,112,051 (2017 - £13,307,155). At 31 March 2018 outstanding payment due was £Nil (2017 - £8,771,355).
- Paid Management Services costs of £236,108 (2017 - £294,318). At 31 March 2018 outstanding payment due was £19,676 (2017 - £24,526).
- Paid office rental costs of £18,162 (2017 - £6,253). At 31 March 2018 outstanding payment due was £1,513 (2017 - £521).

## **18 Ultimate parent company**

The share capital of Sustainable Communities for Leeds (Holdings) Limited is held 10% by Keepmoat PFI Leeds Limited, 40% by Equitix Housing 2 Limited and 50% Pensions Infrastructure Platform Limited after purchasing the shareholding of Aberdeen Infrastructure Investments (No 5) Limited on 6 December 2017. In the opinion of the directors there is no ultimate parent undertaking or controlling party.

## **19 Post balance sheet events**

Engie Services Holding (UK) Limited sold its equity share in the group to Equitix Housing 2 Limited on 1 June 2018. This has had no impact on the performance of the service provider or shareholder.