

Sustainable Communities for Leeds (Holdings) Limited

Report and Financial Statements

Year Ended

31 March 2022

Company Number 08319372



Sustainable Communities for Leeds (Holdings) Limited

Report and financial statements for the year ended 31 March 2022

Contents

Page:

1	Strategic report
6	Report of the directors
8	Independent auditor's report
11	Consolidated statement of comprehensive income
12	Consolidated statement of financial position
13	Company statement of financial position
14	Consolidated statement of changes in equity
15	Consolidated statement of cashflows
16	Notes forming part of the financial statements

Directors

P Ashbrook
T Mihill
H Holman
J Fyfe

Secretary and registered office

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

Company number

08319372

Bankers

Bank of New York 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 2022

The directors present their report together with the audited financial statements for the year ended 31 March 2022.

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.

The directors acknowledge the recent outbreak of Coronavirus (COVID-19) and its potentially adverse economic impact on the UK market and globally. This is covered in more detail as part of the Going Concern section.

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 and group on a monthly basis and to the Majority Creditor 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 on the anniversary of Financial Close, July 13. 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.

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.

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.

Sustainable Communities for Leeds (Holdings) Limited

Strategic report for the year ended 31 March 2022 (*continued*)

Going concern (*continued*)

The Company is exposed to the COVID-19 risk as a result of the inherent uncertainty around the impact of the pandemic on UK society and economy. Whilst the Company itself is not considered to be significantly exposed, subcontractors which it engages with are considered to have exposure in relation to labour and the ability to continue to perform required services. The Company is aware of the Government guidance for public bodies on payment to suppliers to ensure service continuity during and after the coronavirus outbreak, which provides additional assurance. Nevertheless, performance risk under the Project Agreement and related contracts are passed on to the service providers and to the building contractor. The obligations of these subcontractors are underwritten either by performance guarantees issued by banks or by parent company guarantees. Due to the evolving nature of the risk, the Board continue to actively monitor developments.

The directors acknowledge the recent outbreak of Coronavirus (COVID-19) and its potentially adverse economic impact on the UK market and globally. Further, a review of its impact on the business in the future has been conducted by:

- Analysing the potential impact on business models and strategies; and
- Close engagement and liaison with ENGIE Ltd as its key subcontractor to determine the likely impact of COVID-19; and
- Payments are still being received in full from Leeds City Council in accordance with the contractual documents.
- The war in the Ukraine and the impact this may have; and
- Impact from the currently high inflation rate.

Attempts to mitigate the impact centres around constant communication and adherence to Government guidelines. The directors do not expect there to be any adverse material effect.

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.

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.

Sustainable Communities for Leeds (Holdings) Limited

Strategic report for the year ended 31 March 2022 (continued)

Risk management

As part of the quarterly board meetings the Risk register is reviewed including business continuity plans of the Company and its Service Provider. Individual risk assessments have been carried out on the impact of Brexit and COVID-19 and the risk is seen as minimal. Operational models are up-dated semi-annually for the Lenders and various iterations modelled for different risk assumptions to provide assurance that the Company can financially cover these revenue and expenditure obligations.

Business relationships

It is essential the Company maintains strong client relationships and maintains a reputation for high standards of business conduct. Engagement between the parties is professional and positive.

Community and Environment

The quarterly Board reports include discussion on environmental and social matters. The Payment Mechanism also includes an obligation for annual satisfaction surveys to keep abreast of the opinions and concerns of the wider community.

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 updated for actuals on a semi-annual basis. The model calculates two ratios for the remainder of the project: Debt Service Cover Ratio ("DSCR") and Loan Life Cover Ratio ("LLCR"), which are based on the ratio of the actual and expected operating cashflows to the debt servicing requirement. The contract states the lock-up and default levels for these ratios and the model flags if the ratios drop below these levels. The ratios met or exceeded these levels in both the current and previous year. 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.

The group's performance during the year and financial position at 31 March 2022 are shown on pages 11 to 12. Profit before tax was £240k compared with profit before tax £117k the previous year. Net liabilities were £9,447k at 31 March 2022, lower than £9,642k at 31 March 2021, reflecting profit in the current year. Cash at 31 March 2022 was £6,769k, less than last year's £9,771k.

Sustainable Communities for Leeds (Holdings) Limited

Strategic report for the year ended 31 March 2022 (*continued*)

Section 172 Companies Act 2006 Statement

The directors have a duty to promote the success of the company for the benefit of the shareholders as a whole and to describe how this duty has been performed with regard to those matters set out in section 172 of the Companies Act 2006 ("section 172").

The directors have identified the company's main stakeholders as the following

i. The company's shareholders and Lender

Principle considerations of the board are whether the investment objective of the company is meeting shareholder and Lender expectations and how the manager implements the objective. These are discussed at all board meetings, which are held regularly throughout the year.

ii. The client

The board recognises the importance of working in partnership with its public sector client, the Authority, to successfully deliver a key public infrastructure asset. On behalf of the company, the manager fosters this partnership through regular meetings with the client representatives and other key managers. The manager provides regular monthly reporting to the public sector client on the performance of its obligations under the PFI arrangement. Periodically the directors will also meet with the public sector client to discuss key service delivery matters.

iii. The service providers

On behalf of the company, the manager seeks to maintain a constructive relationship with the service providers by meeting regularly. The service provider reports provided to the company contain service provision information and relevant information about the performance of the PFI contract. These reports are reviewed by both the manager and the board. Periodically the directors will also meet with the service provider to discuss key service delivery matters.

iv. The manager

The company has outsourced the management of the company to Pario Limited ("Pario"), the manager. The delivery by the manager of its services is fundamental to the long term success of the company. The board engages regularly with the manager.

Throughout the year the board has made due consideration during its discussions and decision-making of the matters set out in section 172 and below is a description of how the directors have had regards to these matters when performing their duties:

(a) The likely consequences of any decision in the long term

The board engages regularly with the manager seeking information and if deemed necessary will obtain specialist expert advice prior to making strategic decisions. The board engages with the manager through a number of forums, including at board meetings, informal briefings and through engagement with the manager's senior leadership team. Regular reporting is provided to the board by the manager, which will alert the board to changes to regulation or market practice, which will inform the board's decision making.

Sustainable Communities for Leeds (Holdings) Limited

**Strategic report
for the year ended 31 March 2022 (continued)**

Section 172 Companies Act 2006 Statement (continued)

(b) The interests of the company's employees

As an externally managed company, the company's activities are all outsourced and therefore it does not have any employees. The company does however, pay due regard to the interests and safety of all those engaged by contractors to the company to perform services on its behalf.

(c) The need to foster the company's business relationships with suppliers, customers and others

The company is committed to upholding the underlying principle of PFI of working in partnerships with all parties to the arrangement. As noted above, the company has policies and procedures to ensure regular communication is maintained between the parties and ensure that the supply chain is managed effectively in order that company obligations to its public sector client and service providers can be upheld.

(d) The impact of the company's operations on the community and the environment

The company is committed to minimising environmental disruption from its activities. The board recognises that the company is a key partner in the delivery of social housing services and encourages its partners in considering and delivering Environmental, Social and Governance (ESG) values and initiatives to achieve socially responsible investing.

(e) The desirability of the company maintaining a reputation for high standards of business conduct

The company is committed, in its day to day operations and dealings with all affiliates to uphold the highest standard of business conduct and integrity. The directors are not responsible for setting a "business culture" in the traditional sense, but are committed to understanding the culture of the manager and service providers and raise any concerns in this regard if necessary.

(f) The need to act fairly between members of the company

The company is owned by two parties with an equal share. Fairness is maintained by both shareholders meeting regularly at Board meetings and both being included on all correspondence. All parties are included in dialogue on all issues. Decisions made need to be based on the agreement of all parties.

The directors are cognisant of their duty under s172 in their deliberation as a board on all matters. Decisions made by the board take into account the interests of all the company's key stakeholders and reflect the board's belief that the long term sustainable success of the company is linked directly to its key stakeholders.

Approval

This strategic report was approved on behalf of the Board on 20 July 2022.



**T Mihill
Director**

Sustainable Communities for Leeds (Holdings) Limited

Report of the directors for the year ended 31 March 2022

The directors present their report together with the audited financial statements for the year ended 31 March 2022.

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 2022, and up to the date of signing the financial statements were:

P Ashbrook
T Mihill
H Holman
J Fyfe

The Articles of Association of the Company provide that in certain circumstances the directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the directors.

Dividends

A dividend was not proposed in the year (2021: £Nil).

Employment policy

The company has no employees.

Directors' responsibilities statement

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

Sustainable Communities for Leeds (Holdings) Limited

Report of the directors for the year ended 31 March 2022 (continued)

Directors' responsibilities (continued)

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

There have been no post balance sheet events to report.

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



T Mihill

Director

Date 20 July 2022

Sustainable Communities for Leeds (Holdings) Limited

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

Opinion on the financial statements

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 2022 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Company Statement of Financial Position, Consolidated and Company Statement of Changes in Equity, 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 2022 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

We remain 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.

Conclusions relating to going concern

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

- The directors' use of the going concern basis 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 12 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 Report and Financial Statements 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Sustainable Communities for Leeds (Holdings) Limited

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

Opinion 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 the report of directors for the financial year for which the financial statements are prepared is consistent with financial statements.
- The strategic report and the report of 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, 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 and 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 and 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 is available on the Financial Reporting Council's website at:

Sustainable Communities for Leeds (Holdings) Limited

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

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 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.

DocuSigned by:

Hamid Ghafoor

81F5AA2CB0C949D...

Hamid Ghafoor (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
3 Hardman Street, Manchester, United Kingdom

Date 22 July 2022

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 2022

	Note	2022 £	2021 £
Turnover		5,341,167	4,790,607
Cost of sales		(3,657,447)	(3,148,549)
Operating profit	3	1,683,720	1,642,058
Interest receivable and similar income	4	4,775,314	5,199,344
Interest payable and similar charges	5	(6,218,995)	(6,724,801)
Profit on ordinary activities before taxation		240,041	116,601
Taxation on profit from ordinary activities	6	(45,608)	(22,154)
Profit on ordinary activities after taxation and total comprehensive income		194,433	94,447

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 16 to 29 form part of these financial statements.

Sustainable Communities for Leeds (Holdings) Limited

Consolidated statement of financial position at 31 March 2022

Company number 08319372	Note	2022 £	2022 £	2021 £	2021 £
Current assets					
Debtors:					
- amounts falling due within one year	9	7,049,659		6,934,535	
- amounts falling due after more than one year	9	65,941,573		72,947,410	
Cash at bank		6,768,906		9,771,576	
		<u>79,760,138</u>		<u>89,653,521</u>	
Creditors: amounts falling due within one year	12	(8,703,149)		(11,641,467)	
		<u></u>		<u></u>	
Net current assets			71,056,989		78,012,054
Total assets less current liabilities			<u>71,056,989</u>		<u>78,012,054</u>
Creditors: amounts falling due after more than one year	12		(80,504,649)		(87,654,147)
			<u></u>		<u></u>
Net liabilities			<u>(9,447,660)</u>		<u>(9,642,093)</u>
Capital and reserves					
Called up share capital	15		51,000		51,000
Profit and loss account			(9,498,660)		(9,693,093)
			<u></u>		<u></u>
Shareholders' deficit			<u>(9,447,660)</u>		<u>(9,642,093)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 20 July 2022.



T Mihill
Director

The notes on pages 16 to 29 form part of these financial statements.

Sustainable Communities for Leeds (Holdings) Limited

Company statement of financial position at 31 March 2022

Company number 08319372	Note	2022 £	2022 £	2021 £	2021 £
Fixed assets					
Investments	7		51,000		51,000
Current assets					
Debtors:					
- amounts falling due within one year	8	1,064,265		652,982	
- amounts falling due after more than one year	8	14,929,035		15,596,324	
Cash at bank		-		-	
		<u>15,993,300</u>		<u>16,249,306</u>	
Creditors: amounts falling due within one year	11	<u>(1,064,265)</u>		<u>(652,982)</u>	
Net current assets			<u>14,929,035</u>		<u>15,596,324</u>
Total assets less current liabilities			<u>14,980,035</u>		<u>15,647,324</u>
Creditors: amounts falling due after more than one year	11		<u>(14,929,035)</u>		<u>(15,596,324)</u>
Net assets			<u>51,000</u>		<u>51,000</u>
Capital and reserves					
Called up share capital	15		51,000		51,000
Profit and loss account			-		-
Shareholders' funds			<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 (2021: £Nil).

The financial statements were approved by the Board of Directors and authorised for issue on 20 July 2022.



T Mihill
Director

The notes on pages 16 to 29 form part of these financial statements.

Sustainable Communities for Leeds (Holdings) Limited

Statement of changes in equity for the year ended 31 March 2022

Group	Share capital	Profit and loss account	Total
	£	£	£
1 April 2020	51,000	(9,787,540)	(9,736,540)
Profit for the year	-	94,447	94,447
31 March 2021	51,000	(9,693,093)	(9,642,093)
1 April 2021	51,000	(9,693,093)	(9,642,093)
Profit for the year	-	194,433	194,433
31 March 2022	51,000	(9,498,660)	(9,447,660)

Company	Share capital	Profit and loss account	Total
	£	£	£
1 April 2020	51,000	-	51,000
Profit for the year	-	-	-
31 March 2021	51,000	-	51,000
1 April 2021	51,000	-	51,000
Profit for the year	-	-	-
31 March 2022	51,000	-	51,000

The notes on pages 16 to 20 form part of these financial statements.

Sustainable Communities for Leeds (Holdings) Limited

Consolidated statement of cash flows for the year ended 31 March 2022

	Note	2022 £	2021 £
Cash flows from operating activities			
Operating Profit for the financial year		1,683,720	1,642,058
Adjustments for:			
Decrease in trade and other debtors		6,847,869	6,582,303
(Decrease) in trade creditors		(3,518,926)	(340,939)
Corporation tax paid		(2,456)	(3,313)
Cash generated from operations		5,010,207	6,238,051
Net cash generated from/(used up in) operating activities		5,010,207	7,880,109
Cash flows from investing activities			
Interest received	4	4,775,314	5,199,344
Net cash from investing activities		4,775,314	5,199,344
Cash flows from financing activities			
Repayment of Bond		(6,313,189)	(11,248,570)
Repayment of subordinated debt		(256,007)	(1,897,320)
Finance costs	5	(6,218,995)	(6,724,801)
Net cash used in financing activities		(12,788,191)	(19,870,691)
Net decrease in cash and cash equivalents		(3,002,670)	(6,791,238)
Cash and cash equivalents at beginning of year		9,771,576	16,562,814
Cash and cash equivalents at end of year		6,768,906	9,771,576
Cash and cash equivalents comprise:			
Cash at bank and in hand		6,768,906	9,771,576
		6,768,906	9,771,576

The notes on page 16 to 29 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 2022

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;
- 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.

The Group is exposed to the COVID-19 risk as a result of the inherent uncertainty around the impact of the pandemic on UK society and economy. Whilst the Group itself is not considered to be significantly exposed, subcontractors which it engages with are considered to have exposure in relation to labour and the ability to continue to perform required services. The Group is aware of the Government guidance for public bodies on payment to suppliers to ensure service continuity during and after the coronavirus outbreak, which provides additional assurance. Nevertheless, performance risk under the Project Agreement and related contracts are passed on to the service providers and to the building contractor. The obligations of these subcontractors are underwritten either by performance guarantees issued by banks or by parent company guarantees. Due to the evolving nature of the risk, the Board continue to actively monitor developments.

Attempts to mitigate the impact centres around constant communication and adherence to Government guidelines. The directors do not expect there to be any adverse material effect.

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

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 2022 (continued)

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 instruments - Bond valuation

The Bond is valued at amortised cost using the effective interest rate. This is as prescribed in the contractual documentation. The repayment schedule is fixed within the contractual documents and so the resulting valuation will not change.

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.

Sustainable Communities for Leeds (Holdings) Limited

Notes forming part of the financial statements
for the year ended 31 March 2022 (*continued*)

1 Accounting policies (*continued*)

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.

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 the directors totalled £46,672 (2021: £45,844) and reflects 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 auditor's remuneration in respect of the audit of the company's financial statements was £31,500 (2021 - £30,000). In addition, the company bore £3,150 (2021 - £3,000) in respect of the audit fee for its parent company during the year, and £2,100 (2021 - £2,000) for Sustainable Communities for Leeds (Finance) Plc, both of which were not recharged.

Sustainable Communities for Leeds (Holdings) Limited

Notes forming part of the financial statements
for the year ended 31 March 2022 (*continued*)

4 Interest receivable and similar income

Company	2022 £	2021 £
Interest on amounts due to group undertakings	1,914,201	1,993,696
	<u>1,914,201</u>	<u>1,993,696</u>
 Group	 2022 £	 2021 £
Finance debtor imputed interest	4,775,280	5,199,344
Interest receivable	34	-
	<u>4,775,314</u>	<u>5,199,344</u>

Sustainable Communities for Leeds (Holdings) Limited

Notes forming part of the financial statements
for the year ended 31 March 2022 (*continued*)

5 Interest payable and similar charges

Company	2022 £	2021 £
Interest on amounts due to group undertakings	1,914,201	1,993,863
	<u>1,914,201</u>	<u>1,993,863</u>
 Group	 2022 £	 2021 £
Interest and fees payable on Bond	3,959,267	4,276,986
Interest on subordinated loan	1,899,709	1,980,935
Amortisation of fees	125,715	213,754
Finance guarantor ongoing fee	234,304	253,126
	<u>6,218,995</u>	<u>6,724,801</u>

Sustainable Communities for Leeds (Holdings) Limited

Notes forming part of the financial statements
for the year ended 31 March 2022 (continued)

6 Taxation on loss from ordinary activities

a) Analysis of tax charge for the year

	2022 £	2021 £
<i>Current tax:</i>		
UK corporation tax on the profits for the year	2,759	2,456
Adjustments in respect of previous years	-	-
	<u>2,759</u>	<u>2,456</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	42,849	19,698
	<u>45,608</u>	<u>22,154</u>

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:

	2022 £	2021 £
Profit on ordinary activities before tax	240,041	116,600
Profit on ordinary activities multiplied by effective rate of corporation tax in the UK of 19% (2021 - 19%)	45,608	22,154
Effect of:		
Closing deferred tax rate adjustment (see footnote)	-	-
	<u>45,608</u>	<u>22,154</u>

The group has losses of £11,859,698 (2021 - £12,085,212) available to carry forward against future taxable profits.

The government has announced an increase in the UK Corporation tax rate from 19% to 25% from 1 April 2023, which was substantively enacted in May 2021.

Sustainable Communities for Leeds (Holdings) Limited

Notes forming part of the financial statements
for the year ended 31 March 2022 (continued)

7 Investments in subsidiary undertakings

Company	2022 £	2021 £
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, Lancashire, PR2 2YP.

8 Debtors – Company

	2022 £	2021 £
Amounts falling due within one year:		
Amounts owed by group undertakings	1,064,265	652,982

	2022 £	2021 £
Amounts falling due after more than one year:		
Amounts owed by group undertakings	14,929,035	15,596,324

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 2022 (*continued*)

9 Debtors - Group

	2022 £	2021 £
Amounts falling due within one year:		
Amounts recoverable on contracts	6,800,532	6,845,253
Trade debtors	92,185	-
Prepayments and accrued income	156,942	89,282
	<u>7,049,659</u>	<u>6,934,535</u>
Amounts falling due after more than one year:		
Amounts recoverable on contracts	63,700,407	70,663,395
Deferred tax asset (note 10)	2,241,166	2,284,015
	<u>65,941,573</u>	<u>72,947,410</u>

Sustainable Communities for Leeds (Holdings) Limited

Notes forming part of the financial statements
for the year ended 31 March 2022 (*continued*)

10 Deferred tax asset

	2022 £	2021 £
Deferred tax asset	2,241,166	2,284,015
The movement in deferred tax during the year are as follows:		
At 1 April	2,284,015	2,303,713
Charge to the profit and loss account (note 6(a))	(42,849)	(19,698)
At 31 March	2,241,166	2,284,015
The deferred tax asset consists of:		
Tax losses available	2,241,166	2,284,015

11 Creditors - Company

	2022 £	2021 £
Amounts falling within one year:		
Subordinated loan (note 14)	1,064,265	652,982
	1,064,265	652,982
Amounts falling after more than one year:		
Subordinated loan (note 14)	14,929,035	15,596,324
	14,929,035	15,596,324

Sustainable Communities for Leeds (Holdings) Limited

Notes forming part of the financial statements
for the year ended 31 March 2022 (continued)

12 Creditors - Group

	2022 £	2021 £
Amounts falling due within one year:		
Bond interest (note 14)	6,394,271	6,225,249
Subordinated loan (note 14)	1,064,265	652,982
Corporation tax	2,757	2,456
Trade creditors	148,527	27,678
Retention provision	2	3,604,766
VAT Creditor	508,298	419,617
Accruals and deferred income	585,029	708,719
	8,703,149	11,641,467

Amounts falling due after more than one year:

Bond (note 14)	65,575,614	72,057,823
Subordinated loan (note 13)	14,929,035	15,596,324
	80,504,649	87,654,147

13 Loans and borrowings

Company	2022 £	2021 £
Amounts owed to group undertakings - loan	15,993,300	16,249,306
Maturity of debt:		
Within one year	1,064,265	652,982
Between one and two years	624,958	667,288
Between two and five years	1,568,961	1,690,072
In more than five years	12,735,116	13,238,964
	15,993,300	16,249,306

The shareholders purchased loan notes from, Sustainable Communities for Leeds (Holdings) Limited, Of £12,680,000 which is repayable over the life of the project. Interest is payable at a rate of 11.75%, and the loan is unsecured. The amount outstanding at 31 March 2021 was £15,993,300 (2021 - £16,249,306).

Sustainable Communities for Leeds (Holdings) Limited

Notes forming part of the financial statements
for the year ended 31 March 2022 (continued)

13 Loans and borrowings (continued)

Group	2022 £	2021 £
Bond	73,270,880	79,709,781
Subordinated loan	15,993,300	16,249,306
	<u>89,264,180</u>	<u>95,959,087</u>
Less: amortised issue costs	(1,300,995)	(1,426,709)
	<u>87,963,185</u>	<u>94,532,378</u>
Maturity of debt:		
Within one year	7,584,632	7,091,883
Between one and two years	6,991,557	7,187,655
Between two and five years	19,707,455	20,158,505
In more than five years	54,980,536	61,521,044
	<u>89,264,180</u>	<u>95,959,087</u>
Less: amortised debt issue costs	(1,300,995)	(1,426,709)
	<u>87,963,185</u>	<u>94,532,378</u>

Bonds at 31 March 2022 totalled £73,270,880 (excluding issue costs) (2021 - £79,709,781). 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.

The shareholders purchased loan notes from, Sustainable Communities for Leeds (Holdings) Limited, of £12,680,000 which is repayable over the life of the project. Interest is payable at a rate of 11.75%, and the loan is unsecured. The amount outstanding at 31 March 2022 was £15,993,300 (2021 - £16,249,306).

Sustainable Communities for Leeds (Holdings) Limited

Notes forming part of the financial statements
for the year ended 31 March 2022 *(continued)*

14 Financial Instruments	Group	Group	Company	Company
	2022 £	2021 £	2022 £	2021 £
Financial Assets				
Financial assets that are measured at amortised cost	77,269,845	87,280,224	15,993,300	16,249,306
Financial Liabilities				
Financial liabilities that are measured at amortised cost	(88,696,742)	(98,873,544)	(15,993,300)	(16,249,306)
Interest receivable on financial assets measured at amortised cost	4,775,314	5,199,344	1,914,201	1,993,864
Interest payable on financial liabilities measured at amortised cost	(6,218,995)	(6,724,801)	(1,914,201)	(1,993,864)

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	2022 Number	2021 Number	2022 £	2021 £
Ordinary shares of £1 each	51,000	51,000	51,000	51,000

Shareholders have equal voting rights. Distributions are calculated through the financial model and are made as per the contract documents. Approval is also required from the Majority Creditor. There are no preference shares.

Sustainable Communities for Leeds (Holdings) Limited

Notes forming part of the financial statements
for the year ended 31 March 2022 (continued)

16 Net debt reconciliation

	Borrowings due before one year	Borrowings due after one year	Subtotal	Cash and cash equivalents	Total
	2022 £	2022	2022 £	2022 £	2022 £
Balance at 1 April 2021	(82,644)	(94,449,734)	(94,532,378)	9,771,576	(84,760,802)
Bond payment	6,313,189	-	6,313,189	-	6,313,189
Loan note payment	256,007	-	256,007	-	256,007
Other non-cash changes and equivalents	-	-	-	-	-
Cash changes	-	-	-	(3,002,670)	(3,002,670)
Balance at 31 March 2022	6,486,552	(94,449,734)	(87,963,182)	6,768,906	(81,194,276)

Non cash movements relate to balancing amounts to be paid on the loans within one year and after one year.

17 Commitments

Group

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. The outstanding commitment at 31 March 2022 is £26,988,425, (including estimated future inflation) (2021 - £25,897,838).

	2022 £	2021 £
Within one year	463,721	308,172
Between one and two years	491,491	279,825
Between two and five years	5,620,455	2,986,863
In more than five years	20,412,759	22,322,978
	26,988,425	25,897,838

Sustainable Communities for Leeds (Holdings) Limited

**Notes forming part of the financial statements
for the year ended 31 March 2022 (continued)**

18 Related party transactions

Group and Company

Related party transactions during the year consisted of long-term loan facilities and general operating costs with Equitix Housing 2 Limited and PIP Infrastructure Investments (no. 5) Limited and are disclosed below stated net of value added tax (where applicable).

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 £23,336 (2021 - £22,922). At 31 March 2022 outstanding payment due was £6,121 (2021 - £3,560).

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

- Paid interest of £949,855 (2021 - £1,494,271). At 31 March 2022, subordinated debt interest payments due totalled £Nil (2021 - £Nil).
- Paid capital of £128,003 (2021 - £443,879). At 31 March 2022, subordinated debt capital balance due totalled £7,996,650 (2021 - £8,124,653).

PIP Infrastructure Investments (No5) Limited – Shareholder of the group

During the period, Sustainable Communities for Leeds Limited has:

- Paid Director's fees of £23,336 (2021 - £22,922). At 31 March 2021 outstanding payment due was £6,121 (2021 - £3,560).

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

- Paid interest of £949,855 (2021 - £1,494,271). At 31 March 2022, subordinated debt interest payments due totalled £Nil (2021 - £Nil).
- Paid capital of £128,003 (2021 - £443,879). At 31 March 2022, subordinated debt capital balance due totalled £7,996,650 (2021 - £8,124,653).

19 Ultimate parent company

The share capital of Sustainable Communities for Leeds (Holdings) Limited is held 50% by Equitix Housing 2 Limited and 50% PIP Infrastructure Investments (No 5) Limited. In the opinion of the directors there is no ultimate parent undertaking or controlling party.