

Sustainable Communities for Leeds  
Limited

Annual report and financial statements  
for the period ended 31 March 2014

Registered number: 08320624

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# **Sustainable Communities for Leeds Limited**

## **Company Information**

### **Registered number**

08320624

### **Registered Office**

C/o Pario Limited  
Unit 18 Navigation Way  
Ashton-on-ribble  
Preston  
PR2 2YP

### **Directors**

D Taylor  
C Rossiter  
D Joyce  
F D'Alonzo  
S Jones  
W Haughey

### **Company Secretary**

Pario Limited

### **Bankers**

BNY Mellon  
London Branch  
One Canada Square  
London  
E14 5AL

### **Auditor**

BDO LLP  
3 Hardman Street  
Manchester  
M3 3AT

# **Sustainable Communities for Leeds Limited**

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# **Sustainable Communities for Leeds Limited**

## **Strategic report for the period ended 31 March 2014**

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

The company was incorporated on 6 December.

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 will last for 44 months to September 2017. During this time the company will also provide facilities management services, which increase as each phase of construction is certified. The operational phase of the project is planned to continue until September 2033.

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.

### **Financial risk management**

The company 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. All intercompany balances have a fixed rate of interest.

#### **Liquidity risk**

The funds raised from the issue of Bonds and Equity by Sustainable Communities for Leeds (Finance) Plc are passed through to Sustainable Communities for Leeds Limited. When payments are made to Bond holders these are passed from Sustainable Communities for Leeds Limited through the company.

#### **Credit risk**

The Fixed Rate Guarantee Bonds held by Sustainable Communities for Leeds (Finance) Plc 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 company.

## **Sustainable Communities for Leeds Limited**

Strategic report (continued)  
for the period ended 31 March 2014

### **Key performance indicators**

The company's 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. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the performance or position of the business.

The company's performance during the period and financial position at 31 March 2014 is shown on page 9 and 10.

The strategic report was approved by the board and signed on its behalf by:



D Taylor

Director

18 June 2014

# **Sustainable Communities for Leeds Limited**

## **Directors' report for the period ended 31 March 2014**

The directors submit their annual report and the audited financial statements of the company for the period ended 31 March 2014.

### **Principal activities**

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 will last for 44 months to September 2017. During this time the company will also provide facilities management services, which increase as each phase of construction is certified. The operational phase of the project is planned to continue until September 2033.

### **Directors**

The directors of the company during the period ended 31 March 2014 and up to the date of signing of the financial statements were:

C Rossiter (appointed 3 July 2013)  
D Taylor (appointed 3 July 2013)  
D Joyce (appointed 6 December 2012)  
W Haughey (appointed 6 December 2012)  
S Jones (appointed 6 December 2012)  
F D'Alonzo (appointed 6 December 2012)

### **Going concern**

The financial statements are prepared on a going concern basis. Further details are given in note 1 to the financial statements.

### **Dividends**

No dividends were proposed or paid during the period to 31 March 2014.

# **Sustainable Communities for Leeds Limited**

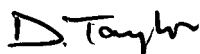
## **Directors' report for the period ended 31 March 2014 (continued)**

### **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, 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 a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board



D Taylor  
**Director**

18 June 2014

# **Sustainable Communities for Leeds Limited**

## **Directors' responsibilities statement**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared 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;
- 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.



## **Sustainable Communities for Leeds Limited**

### **Independent auditor's report to the members of Sustainable Communities for Leeds Limited**

We have audited the financial statements of Sustainable Communities for Leeds Limited for the period ended 31 March 2014 which comprise the profit and loss account, the balance sheet, the reconciliation of shareholder's funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### *Opinion on financial statements*

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

## **Sustainable Communities for Leeds Limited**

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

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Mark Sykes (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
3 Hardman Street  
Spinningfields  
Manchester  
M3 3AT

23 June 2014

## Sustainable Communities for Leeds Limited

### Profit and loss account for the period ended 31 March 2014

		Period ended 31 March 2014
	Notes	£
<b>Turnover</b>	1	<b>2,065,405</b>
Cost of sales		<b>(1,499,567)</b>
Gross profit		<b>565,838</b>
<b>Operating profit</b>	2	<b>565,838</b>
Interest receivable and similar income	3	<b>510,223</b>
Interest payable and similar charges	4	<b>(5,202,535)</b>
<b>Loss on ordinary activities before taxation</b>		<b>(4,126,474)</b>
Tax on loss on ordinary activities	5	<b>848,772</b>
<b>Loss on ordinary activities after taxation</b>	12	<b>(3,277,702)</b>

The company has 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 profit and loss account and its historical cost equivalent.

The company has no other recognised gains and losses, other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented.

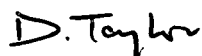
## Sustainable Communities for Leeds Limited

### Balance sheet as at 31 March 2014

Registered number: 08320624

	Notes	2014 £
<b>Current assets</b>		
Debtors (including £23,616,426 due after one year)	6	25,618,750
Cash at bank and in hand		88,128,776
		<b>113,747,526</b>
<b>Creditors: amounts falling due within one year</b>	8	<b>(3,952,818)</b>
<b>Net current assets</b>		<b>109,794,708</b>
<b>Creditors: amounts falling due after more than one year</b>	8	<b>(113,071,410)</b>
<b>Net liabilities</b>		<b>(3,276,702)</b>
<b>Capital and reserves</b>		
Called up share capital	10	1
Share premium	11	999
Profit and loss account	12	(3,277,702)
<b>Total shareholder's deficit</b>		<b>(3,276,702)</b>

The financial statements were approved by the board on 18 June 2014 and were signed on its behalf by:



D Taylor  
Director

## **Sustainable Communities for Leeds Limited**

### **Reconciliation of movements in shareholder's funds/(deficit) for the period ended 31 March 2014**

		<b>Period ended 31 March 2014</b>
	<b>Notes</b>	<b>£</b>
Opening shareholder's funds		-
Called Up Share Capital		1
Share Premium Account		999
Loss for the financial period	12	<b>(3,277,702)</b>
<b>Closing shareholder's deficit</b>		<b>(3,276,702)</b>

# **Sustainable Communities for Leeds Limited**

## **Notes to the financial statements for the period ended 31 March 2014**

### **1 Accounting policies**

A summary of the company's principal accounting policies is set out below.

#### **Basis of preparation of accounts**

The financial statements are prepared under the historical cost convention using consistently applied accounting policies and in accordance applicable law and United Kingdom accounting standards.

#### **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. Accordingly, despite the context of an uncertain economic climate the directors have a reasonable expectation that the company 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 the value of work done and services rendered during the period, excluding value added tax. All turnover originates in the United Kingdom.

The company recognises income when it has fully fulfilled its contractual obligations. In accordance with Financial Reporting Standard (FRS) 5 'Reporting the Substance of Transactions' – Application Note F, the company includes sales and purchase transactions related to variations under the original contract where the benefits and risks are retained by the company, within the financial statements as turnover and operating costs.

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

#### **Finance costs**

In accordance with Financial Reporting Standard 4 - Capital Instruments, 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.

# **Sustainable Communities for Leeds Limited**

## **Notes to the financial statements for the period ended 31 March 2014 (continued)**

### **1 Accounting policies continued**

#### **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.

#### **Financial asset – contract debtor**

The financial asset created under the project is accounted for under Financial Reporting Standard 5 Application Note F – Private Finance Initiative and Similar Contracts.

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 5 Application Note G. The company recognises income in respect of services it provides as it fulfils its contractual obligations in respect of those services.

#### **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.

#### **Cash flow statement**

The company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1, as a result of being a wholly owned subsidiary of Sustainable Communities for Leeds (Holdings) Limited, which itself is incorporated and registered in England and Wales and produces group financial statements in accordance with the Companies Act 2006 which include a consolidated group cash flow statement.

## Sustainable Communities for Leeds Limited

### Notes to the financial statements for the period ended 31 March 2014 (continued)

#### 2 Operating profit

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

The amounts paid by the company relating to the services of C Rossiter, D Taylor, S Jones, F D'Alonzo, B Haughey, and D Joyce totalled £21,329 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 auditor's remuneration in respect of the audit of the company's financial statements was £24,000 and £4,000 in respect of tax compliance services during the year. In addition, the company bore £1,550 in respect of the audit fee and £520 in respect of tax compliance services for its parent company during the year, which was not recharged.

#### 3 Interest receivable and similar income

	Period ended 31 March 2014
	£
Finance debtor imputed interest	144,380
Interest receivable on Guaranteed Investment Contract	365,843
	510,223

#### 4 Interest payable and similar charges

	Period ended 31 March 2014
	£
Interest payable on Bond	3,723,856
Interest on amounts due to group undertakings	1,121,214
Amortisation of FRS4 fees	204,715
Finance guarantor ongoing fee	152,750
	5,202,535



## Sustainable Communities for Leeds Limited

### Notes to the financial statements for the period ended 31 March 2014 (continued)

#### 5 Tax on loss on ordinary activities

##### (a) Analysis of tax charge for the period

	Period ended 31 March 2014
	£
<b>Current tax:</b>	
UK corporation tax on profits for the period	-
Adjustment in respect of previous periods	-
	-
<b>Deferred tax:</b>	
Origination and reversal of timing differences	848,772
<b>Tax on loss on ordinary activities</b>	<b>848,772</b>

##### (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 20%. The differences are explained below:

	Period ended 31 March 2014
	£
<b>Loss on ordinary activities before taxation</b>	<b>(4,126,474)</b>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20%	(825,295)
Effects of:	
Adjustment in respect of previous periods	-
Adjustment in relation to rate change on losses carried back	-
Unrelieved tax losses	825,295
<b>Current tax for the year (note 5(a))</b>	<b>-</b>

## Sustainable Communities for Leeds Limited

### Notes to the financial statements for the period ended 31 March 2014 (continued)

#### 6 Debtors

	2014
	£
<b>Amounts falling due within one year:</b>	
Amounts recoverable on contract	1,744,259
VAT debtor	198,415
Prepayments and accrued income	59,650
	<b>2,002,324</b>
<b>Amounts falling due after more than one year:</b>	
Amounts recoverable on contract	22,767,654
Deferred Tax asset (Note 7)	848,772
	<b>23,616,426</b>

#### 7 Deferred tax asset

	2014
	£
Deferred tax asset	848,772
The movements in deferred tax during the period are as follows:	
At incorporation	-
Charge/(credit) to the profit and loss account (note 5 (a))	848,772
<b>At 31 March</b>	<b>848,772</b>
The deferred tax asset consists of:	
Tax losses available	848,772

The deferred tax has been arrived at by taking the modelled losses for the period to 31 March 2014 of £3,690,314 and applying a corporation tax rate of 23%.

## Sustainable Communities for Leeds Limited

### Notes to the financial statements for the period ended 31 March 2014 (continued)

#### 7 Deferred tax asset (continued)

##### Deferred tax movements

	2014
	£
At the start of the period	-
Amounts credited to the P&L	848,772
Deferred tax asset as at 31 March 2014	848,772

#### 8 Creditors

	2014
	£
<b>Amounts falling due within one year:</b>	
Trade creditors	288,870
Retention provision	2,150,934
Accruals and deferred income	1,513,014
	3,952,818
<b>Amounts falling due after more than one year:</b>	
Bond (note 9)	99,220,196
Subordinated loan (note 9)	13,851,214
	113,071,410

## Sustainable Communities for Leeds Limited

### Notes to the financial statements for the period ended 31 March 2014 (continued)

#### 9 Loans and borrowings

	2014
	£
Bond	101,833,000
Subordinated loan	12,730,000
Subordinated loan accrued interest	1,121,214
	115,684,214
Less: unamortised issue costs	(2,612,804)
	113,071,410

	2014
Maturity of debt	£
Between two and five years	12,197,236
In more than five years	103,486,978
	115,684,214
Less: unamortised debt issue costs	(2,612,804)
	113,071,410

Bond at 31 March 2014 totalled £101,833,000 (excluding issue costs) and is repayable over 19 years on fixed dates commencing 30 September 2017.

There is an intercompany (subordinated) loan made from Sustainable Communities for Leeds (Holdings) Limited to Sustainable Communities for Leeds Limited of £12,730,000 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 with £2,612,804 remaining unamortised at 31 March 2014.

## Sustainable Communities for Leeds Limited

### Notes to the financial statements for the period ended 31 March 2014 (continued)

#### 10 Called up share capital

	2014
	£
<hr/>	
<b>Allotted, called up and fully paid</b>	
1 Ordinary share issued in the year of £1	1
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#### 11 Share premium account

	2014
	£
<hr/>	
<b>Share premium</b>	999
<hr/>	

#### 12 Profit and loss reserve

	2014
	£
<hr/>	
At incorporation	-
Loss for the financial period	(3,277,702)
<hr/>	
<b>At 31 March 2014</b>	<b>(3,277,702)</b>
<hr/>	

#### 13 Commitments

Under the terms of a contract dated 11 July 2013 between Sustainable Communities for Leeds Limited and Frank Haslam Milan & Company Limited (renamed Keepmoat Regeneration Limited) there have been 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 period to 31 March 2014 were £13,492,227. The outstanding commitment at 31 March 2014 is £131,695,136.

Under the terms of an operating agreement between Sustainable Communities for Leeds Limited and Frank Haslam Milan & Company Limited (renamed Keepmoat Regeneration Limited), the group 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 2014 were £Nil. The outstanding commitment at 31 March 14 is £15,579,071.

## **Sustainable Communities for Leeds Limited**

### **Notes to the financial statements for the period ended 31 March 2014 (continued)**

#### **14 Related party disclosures**

The company has taken advantage of the exemption available in FRS 8 'Related Party Disclosures' whereby it has not disclosed transactions with its parent undertaking on the basis that it is a wholly owned subsidiary where consolidated accounts are publicly available.

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

##### **Keepmoat PFI Leeds Limited**

During the period, Sustainable Communities for Leeds Limited has:

- Paid interest of £nil. At 31 March 2014, subordinated debt payments due totalled £nil.
- Paid Director's fees of £7,109. At 31 March 2014 outstanding payment due was £nil.

##### **Equitix Housing 2 Limited**

During the period, Sustainable Communities for Leeds Limited has:

- Paid interest of £nil. At 31 March 2014, subordinated debt payments due totalled £1,907,166.
- Paid Director's fees of £7,109. At 31 March 2014 outstanding payment due was £nil.

##### **Uberior Infrastructure Investments (No5) Limited**

During the period, Sustainable Communities for Leeds Limited:

- Paid interest of £nil. At 31 March 2014, subordinated debt payments due totalled £1,907,166.
- Paid Director's fees of £7,109. At 31 March 2014 outstanding payment due was £nil.

#### **15 Ultimate parent undertaking and controlling party**

The Company is a wholly owned subsidiary of Sustainable Communities for Leeds (Holdings) Limited. The consolidated financial statements of Sustainable Communities for Leeds (Holdings) Limited can be obtained from c/o Pario Ltd, Unit 18, Riversway Business Village, Navigation Road, Preston, Lancashire, PR2 2YP.

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% Uberior Infrastructure Investments (No5) Limited. In the opinion of the directors there is no ultimate parent undertaking or controlling party.