



**Sustainable Communities for Leeds  
Limited**

Report and Financial Statements

Year Ended

31 March 2023

Company Number 08320624



# **Sustainable Communities for Leeds Limited**

**Report and financial statements  
for the year ended 31 March 2023**

---

## **Contents**

### **Page:**

1	Strategic report
3	Report of the directors
5	Independent auditor's report
8	Statement of comprehensive income and income statement
9	Statement of financial position
10	Statement of changes in equity
11	Notes forming part of the financial statements

---

## **Directors**

R Kyle  
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**

08320624

## **Banker**

Bank of New York Mellon, London Branch, One Canada Square, London, E14 5AL

## **Auditor**

Johnston Carmichael LLP, 7-11 Melville Street, Edinburgh, EH3 7PE

# **Sustainable Communities for Leeds Limited**

## **Strategic report for the year ended 31 March 2023**

---

The directors present their strategic report together with the audited financial statements for the year ended 31 March 2023.

### **Business review**

The Company reports a profit before tax of £472,993 (2022: £225,548 profit).

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 was completed ahead 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 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.

### **Future developments**

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 Company 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 Company to meet its liabilities as they fall due for payment. The project is continuing in line with the expected business model. The Company continues in line with the forecast to generate profits in future years through the maintenance phase of the project. 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.

### **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:

# Sustainable Communities for Leeds Limited

## Strategic report for the year ended 31 March 2023 (continued)

---

### *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 Debt 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. Liquidity within the Company is managed through the operational model which forecasts the receipts from the unitary charge and the costs to be paid. The cost is fixed at the beginning of the project and only increased by indexation.

### *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 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. Moody's published a review March 2023 stating the underlying rate will remain at A3. Standard & Poor's published a review in June 2022 stating the underlying rate will remain at A-.

There is a further risk Leeds City Council is unable to pay the unitary charge so impacting the ability to repay the bond. This risk is not deemed significant as the project is ultimately backed by the UK government.

### **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. The performance of the group against the contract is progressing satisfactorily. As the group progresses through the operational phase of the contract all the KPIs stated in the Payment Mechanism will be kept under review.

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 Debt Service Cover Ratio is 1.15 for lock-up and 1.10 for default. It is currently 1.24. The Loan Life Cover Ratio is 1.20 for lock-up and 1.10 for default. It is currently 1.31. 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 Company's performance during the year and financial position at 31 March 2023 are shown on pages 8 to 9. Profit before tax £473k compared with £226k the previous year. Net liabilities were £8,508k at 31 March 2023, slightly lower than £9,573k at 31 March 2022, reflecting profits in the current year. Cash at 31 March 2023 was £7,362k, slightly more than last year, £6,769k.

### **Approval**

This strategic report was approved on behalf of the Board on 24 July 2023.



T Mihill  
Director

# **Sustainable Communities for Leeds Limited**

## **Report of the directors for the year ended 31 March 2023**

---

The directors present their report together with the audited financial statements for the year ended 31 March 2023.

### **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 was completed ahead of the planned date of 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 year ended 31 March 2023 and up to the date of signing of the financial statements were:

P Ashbrook (resigned 25 January 2023)  
R Kyle (appointed 25 January 2023)  
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.

### **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 Company 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 Company to meet its liabilities as they fall due for payment. The project is continuing in line with the expected business model. The Company continues in line with the forecast to generate profits in future years through the maintenance phase of the project. 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.

Future developments as noted in the Strategic Report.

### **Dividends**

No dividends were proposed or paid during the year to 31 March 2023 (2022 - £Nil).

# Sustainable Communities for Leeds Limited

## Report of the directors for the year ended 31 March 2023 (*continued*)

---

### 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
- 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, the following applies:

- (a) so far as the directors are aware, there is no relevant audit information of which the Company's auditor 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 auditor 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.

### Auditor

Johnston Carmichael LLP was appointed as auditor in the period. In accordance with the Companies articles, a resolution proposing Johnston Carmichael LLP be reappointed will be agreed at a general meeting.

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

  
T Mihill

### Director

Date: 24 July 2023

# Sustainable Communities for Leeds Limited

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

---

### Opinion

We have audited the financial statements of Sustainable Communities for Leeds Limited ('the company') for the year ended 31 March 2023, which comprise the Statement of Comprehensive Income and Income Statement, Statement of Financial Position, Statement of Changes in Equity, and notes to the financial statements, including 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 company's affairs as at 31 March 2023 and of its 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 responsibilities for the audit of the financial statements section of our report. We are independent of the 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

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

### Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report. 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.

We have nothing to report in this regard.

### 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 the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

# 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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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, 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.

### Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 4, 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 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 company or to cease operations, or have no realistic alternative but to do so.

### Auditor 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 on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### *Extent the audit was considered capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to company and the sector in which it operates, focusing on those provisions that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- Companies Act 2006;
- UK tax legislation; and
- UK Generally Accepted Accounting Practice.



## **Sustainable Communities for Leeds Limited**

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

---

We gained an understanding of how the company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of relevant correspondence with regulatory bodies and board meeting minutes.

We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. We identified a heightened fraud risk in relation to:

- Management override of controls
- Revenue recognition

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance for reference to: breaches of laws and regulation or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- Reviewing the level of and reasoning behind the company's procurement of legal and professional services;
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias;
- Performing audit work procedures over the risk of misstatement in revenue recognition including agreement of balances stated to supporting documentation, recalculation and consideration of the appropriateness of the revenue recognition policy;
- Completion of appropriate checklists and use of our experience to assess the Company's compliance with the Companies Act 2006; and
- Agreement of the financial statement disclosures to supporting documentation.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

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

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.

*Johnston Carmichael LLP*  
**Irvine Spowart (Senior Statutory Auditor)**  
**For and behalf of Johnston Carmichael LLP**  
**Statutory Auditor**  
**Edinburgh, United Kingdom**

*26 July 2023*

# Sustainable Communities for Leeds Limited

## Statement of comprehensive income and income statement for the year ended 31 March 2023

	Note	2023 £	2022 £
Turnover	3	6,127,973	5,341,167
Cost of sales		(4,182,193)	(3,657,445)
<b>Operating profit</b>	4	<b>1,945,780</b>	<b>1,683,722</b>
Interest receivable and similar income	6	4,360,748	4,775,314
Interest payable and similar charges	7	(5,833,535)	(6,233,488)
<b>Profit on ordinary activities before taxation</b>		<b>472,993</b>	<b>225,548</b>
Taxation on profit from ordinary activities	8	591,482	(42,854)
<b>Profit on ordinary activities after taxation and total comprehensive income</b>		<b>1,064,475</b>	<b>182,694</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 statement of comprehensive income and income statement and its historical cost equivalent.

The notes on pages 11 to 20 form part of these financial statements.

# Sustainable Communities for Leeds Limited

## Statement of Financial Position at 31 March 2023

<b>Company number 08320624</b>	<b>Note</b>	<b>2023 £</b>	<b>2022 £</b>
<b>Current assets</b>			
Debtors (including £59,093,399 (2022: £65,941,573) due after one year)	9	66,446,114	72,997,872
Cash at bank and in hand		7,362,344	6,768,906
		<u>73,808,458</u>	<u>79,766,778</u>
<b>Creditors: amounts falling due within one year</b>	12	<b>(8,065,260)</b>	<b>(8,700,392)</b>
		<u>65,743,198</u>	<u>71,066,386</u>
<b>Net current assets</b>			
<b>Creditors: amounts falling due after more than one year</b>	12	<b>(74,251,293)</b>	<b>(80,638,956)</b>
		<u>(8,508,095)</u>	<u>(9,572,570)</u>
<b>Net liabilities</b>			
<b>Capital and reserves</b>			
Called up share capital	15	1,000	1,000
Profit and loss account		(8,509,095)	(9,573,570)
		<u>(8,508,095)</u>	<u>(9,572,570)</u>
<b>Shareholder's deficit</b>		<b>(8,508,095)</b>	<b>(9,572,570)</b>

The financial statements were approved by the Board of Directors and authorised for issue on 24 July 2023.



T Mihill  
Director

The notes on pages 11 to 20 form part of these financial statements.

## Sustainable Communities for Leeds Limited

### Statement of Changes in Equity For the year ended 31 March 2023

	Share capital	Profit and loss	Total
	£	£	£
1 April 2021	1,000	(9,756,264)	(9,755,264)
Profit for the year	-	182,694	182,694
<b>31 March 2022</b>	<b>1,000</b>	<b>(9,573,570)</b>	<b>(9,572,570)</b>
1 April 2022	1,000	(9,573,570)	(9,572,570)
Profit for the year	-	1,064,475	1,064,475
<b>31 March 2023</b>	<b>1,000</b>	<b>(8,509,095)</b>	<b>(8,508,095)</b>

The notes on pages 11 to 20 form part of these financial statements.

# Sustainable Communities for Leeds Limited

## Notes forming part of the financial statements for the year ended 31 March 2023

---

### 1 Accounting policies

#### *General information*

Sustainable Communities for Leeds Limited is a Private Limited Company incorporated, by shares, in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the Company 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 and the Companies Act 2006.

The financial statements are presented in pounds sterling (£), which is the functional currency of the Company, and rounded to the nearest pound sterling (£).

#### *Going concern*

The financial statements have been prepared on a going concern basis. The directors have prepared projected cash flow information for the Group as a whole including the Company for at least twelve months from the date of their approval of these financial statements. The cash flow forecasts are prepared at Group level because the trade sits in the Company, where the finance debtor is recovered. The Company in turn pays Sustainable Communities for Leeds Finance (Plc) (another Group Company) for it to be able to satisfy the loan repayments. The cash flow forecast is prepared as part of the six monthly financial model up-date which shows projections to the end of the concession and demonstrates the covenants required by the contractual documents are adhered to.

On the basis of this cash flow information, the directors consider that the Group and the Company 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 Company continues in line with the forecast to generate profits in future years through the maintenance phase of the project. 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.

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
- Payments are still being received in full from Leeds City Council in accordance with the contractual documents; and
- Impact from the currently high inflation rate.

The Bond is insured by AGE and AGM (the 'Majority Creditor'). There is also a Debt Reserve Account which holds funds to cover the next immediate Bond payment. This helps protect the repayment of the Bond alongside the fact the PFI is ultimately underwritten by the UK government.

#### *Turnover*

Turnover represents a margin applied to the costs incurred during the operational phase of the project. The margin is driven by the model. Turnover in relation to pass through income is recognised when services are performed. 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) 102, 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.

# Sustainable Communities for Leeds Limited

## Notes forming part of the financial statements for the year ended 31 March 2023 (*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.

#### *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. Finance costs are allocated to periods over the term of the bond using an effective interest rate and charged to the profit and loss account.

#### *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 the contract debtor, in accordance with FRS 102. The Company recognises income in respect of services it provides as it fulfils its contractual obligations in respect of those services.

#### *Financial liability*

The Bond was initially recognised at the value of net proceeds raised on issue and subsequently 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 liabilities and equity*

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

#### *Equity instruments*

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

#### *Trade Debtors*

Trade Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

# Sustainable Communities for Leeds Limited

## Notes forming part of the financial statements for the year ended 31 March 2023 (continued)

### 1 Accounting policies (continued)

#### *Trade Creditors*

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

#### *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 income statement, 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 102, 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.

#### *Cash and Cash Equivalents*

The Company is obligated to keep separate cash reserves in respect of requirements in the Company's funding arrangements. This restricted cash balance, which is shown on the statement of financial position as within cash and cash equivalents amounts to £7,129,425 at the year end (2022: £6,294,804).

#### *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 Company makes estimates and assumptions concerning the future. Management are also required to exercise judgment in the process of applying the Company's 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 Company makes judgements on the recoverability of the amounts recoverable on long term contracts, based on the receipt of the unitary fee, 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.
- Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

# Sustainable Communities for Leeds Limited

Notes forming part of the financial statements  
for the year ended 31 March 2023 (continued)

## 3 Turnover

	2023 £	2022 £
Service revenue	5,846,571	5,083,118
Pass through revenue	281,402	258,049
	<u>6,127,973</u>	<u>5,341,167</u>

## 4 Operating profit

The auditor's remuneration in respect of the audit of the Company's financial statements was £22,100 (2022 - £31,500). In addition, the Company bore £3,000 (2022 - £3,150) in respect of the audit fee for its parent Company during the year, and £10,000 (2022 - £2,100) for Sustainable Communities for Leeds (Finance) Plc, both of which were not recharged. Auditor's remuneration is payable to Johnston Carmichael LLP (2022- BDO LLP).

## 5 Employees

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 the directors totalled £49,785 (2022: £46,672) 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.

## 6 Interest receivable and similar income

	2023 £	2022 £
Finance debtor imputed interest	4,327,529	4,775,280
Interest receivable	33,219	34
	<u>4,360,748</u>	<u>4,775,314</u>

## 7 Interest payable and similar income

	2023 £	2022 £
Interest payable on bond to group undertakings	3,630,348	3,959,267
Interest on amounts due to group undertakings	1,862,273	1,914,202
Amortisation of fees	126,096	125,715
Finance guarantor ongoing fee	214,818	234,304
	<u>5,833,535</u>	<u>6,233,488</u>



# Sustainable Communities for Leeds Limited

Notes forming part of the financial statements  
for the year ended 31 March 2023 (continued)

## 8 Taxation on profit from ordinary activities

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

	2023 £	2022 £
<i>Current tax:</i>		
UK corporation tax on profits for the year	5,974	6
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(597,456)	42,848
<b>Tax on profit on ordinary activities</b>	<b>(591,482)</b>	<b>42,854</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 19%. The differences are explained below:

	2023 £	2022 £
Profit on ordinary activities before tax	472,993	225,548
Profit on ordinary activities multiplied by effective rate of corporation tax in the UK of 19% (2022 - 19%)	89,869	42,854
Effect of:		
Adjustment in relation to rate changes on deferred tax	(681,351)	-
Group relief surrendered	-	-
<b>Tax for the year (note 8(a))</b>	<b>(591,482)</b>	<b>42,854</b>

The Company has losses of £11,355,845 (2022 - £11,795,619) available to carry forward against future taxable profits.

Corporation tax will remain at 19% until March 2023. From 2023 the main rate will increase to 25% for business profits made by the Company over £250,000. A small profit rate (SPR) will also be introduced for companies with profits of £50,000 or less so they will continue to pay a corporation tax rate of 19%. Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective corporation tax rate. The Company has assessed the impact of the change and consider the full rate of 25% will apply.

# Sustainable Communities for Leeds Limited

Notes forming part of the financial statements  
for the year ended 31 March 2023 (continued)

## 9 Debtors

	2023 £	2022 £
Amounts falling due within one year:		
Amounts recoverable on contract	7,275,923	6,800,532
Corporation tax	3,426	6,640
Trade debtors	-	92,185
Prepayments and accrued income	73,366	156,942
	<u>7,352,715</u>	<u>7,056,299</u>

Amounts falling due after more than one year:

Amounts recoverable on contract	56,254,777	63,700,407
Deferred tax asset (note 11)	2,838,622	2,241,166
	<u>59,093,399</u>	<u>65,941,573</u>

## 10 Restricted cash

	2023 £	2022 £
Debt service reserve account	5,120,347	5,297,293
Maintenance reserve account	2,009,078	997,511
	<u>7,129,425</u>	<u>6,294,804</u>

## 11 Deferred tax asset

	2023 £	2022 £
Deferred tax asset	<u>2,838,622</u>	<u>2,241,166</u>
The movements in deferred tax during the year are as follows:		
At 1 April	2,241,166	2,284,015
Charge to the profit and loss account (note 8(a))	597,456	(42,849)
	<u>2,838,622</u>	<u>2,241,166</u>
At 31 March		
The deferred tax asset consists of:		
Tax losses available	<u>2,838,622</u>	<u>2,241,166</u>

## Sustainable Communities for Leeds Limited

*Notes forming part of the financial statements  
for the year ended 31 March 2023 (continued)*

### 12 Creditors: amounts falling due within one year

	2023 £	2022 £
Amounts owed to fellow group companies:		
Intercompany bond (note 13)	6,242,298	6,394,271
Subordinated loan (note 13)	537,360	1,064,265
Trade creditors	343,466	148,527
Retention provision	2	2
VAT creditor	442,413	508,298
Accruals and deferred income	499,721	585,029
	<u>8,065,260</u>	<u>8,700,392</u>

*Terms of the intercompany bond and subordinated loan can be found in note 13.*

### 12 Creditors: amounts falling due after more than one year

	2023 £	2022 £
Amounts owed to fellow group companies:		
Intercompany bond (note 13)	59,333,316	65,575,614
Subordinated loan (note 13)	14,917,977	15,063,342
	<u>74,251,293</u>	<u>80,638,956</u>

*Terms of the intercompany bond and subordinated loan can be found in note 13.*

# Sustainable Communities for Leeds Limited

Notes forming part of the financial statements  
for the year ended 31 March 2023 (continued)

## 13 Loans and borrowings

	2023 £	2022 £
Intercompany bond	66,750,513	73,270,880
Subordinated loan	15,455,337	15,993,300
	<b>82,205,850</b>	<b>89,264,180</b>
Less: amortised debt issue costs	<b>(1,174,899)</b>	<b>(1,300,995)</b>
	<b>81,030,951</b>	<b>87,963,185</b>
	<b>2023 £</b>	<b>2022 £</b>
Maturity of debt:		
Within one year	6,903,959	7,584,632
Between one and two years	6,547,548	6,991,557
Between two and five years	19,340,739	19,707,455
In more than five years	49,413,604	55,114,842
	<b>82,205,850</b>	<b>89,398,486</b>
Less: amortised debt issue costs	<b>(1,174,899)</b>	<b>(1,300,995)</b>
	<b>81,030,951</b>	<b>88,097,491</b>

The Bond, which is an intercompany on lending of bond funds from Sustainable Communities for Leeds (Finance) Plc, as at 31 March 2023 totalled £66,750,513 (excluding issue costs) (2022 - £73,270,880) and is repayable over 19 years on fixed dates which commenced on 30 September 2017. The Bond is secured by way of a first fixed charge over all securities and investments, credit balances and book debt and any other contracts. In addition, there is a floating charge over all undertakings and assets.

The total issue costs of the Bond amounts to £2,817,518 (2022 - £2,817,518) with £1,174,899 remaining unamortised at 31 March 2023 (2022 - £1,300,995).

There is an intercompany (subordinated) loan made from Sustainable Communities for Leeds (Finance) Plc to Sustainable Communities for Leeds Limited of £12,730,000 (2022 - £12,730,000) excluding issue costs. This is repayable over the remaining life of the project. Balance as at 31 March 2023 is £15,303,011 (2022 - £15,993,300). The difference of £2,573,011 (2022 - £3,213,300) being capitalised interest. Interest is payable at a rate of 11.75%, and the loan is unsecured.

## Sustainable Communities for Leeds Limited

Notes forming part of the financial statements  
for the year ended 31 March 2023 (*continued*)

### 14 Financial Instruments

	2023 £	2022 £
<b>Financial Assets</b>		
Financial assets that are measured at amortised cost	70,893,044	77,269,845
<b>Financial Liabilities</b>		
Financial liabilities that are measured at amortised cost	(81,874,139)	(88,824,408)
Interest receivable on financial assets measured at amortised cost	4,360,748	4,775,314
Interest payable on financial liabilities measured at amortised cost	(5,833,535)	(6,233,488)

Financial assets measured at amortised cost comprise amounts owed by group companies and cash.  
Financial liabilities measured at amortised cost comprise intergroup loans.

Information regarding the group's exposure to and management of credit risk, liquidity risk, and interest rate risk is included in the Strategic report.

### 15 Share capital

	2023 Number	Allotted, called up and fully paid 2022 Number	2023 £	2022 £
Ordinary shares of £1 each	1,000	1,000	1,000	1,000

### 16 Commitments

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 2023 is £28,140,253 (including estimated future inflation) (2022 - £26,988,425).

	2023 £	2022 £
Within one year	727,326	463,721
Between one and two years	774,662	491,491
Between two and five years	8,702,649	5,620,455
In more than five years	17,935,616	20,412,759
	28,140,253	26,988,425

# **Sustainable Communities for Leeds Limited**

## **Notes forming part of the financial statements for the year ended 31 March 2023 (continued)**

---

### **17 Related party transactions**

The Company has taken advantage of the exemption available in FRS 102, section 33, whereby it has not disclosed transactions with other group undertakings 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 Equitix Housing 2 Limited and PIP Infrastructure Platform Limited and are disclosed below stated net of value added tax (where applicable).

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

During the period, Sustainable Communities for Leeds Limited has:

- Paid Director's fees of £24,893 (2022 - £23,336). At 31 March 2023 outstanding payment due was £9,700 (2022 - £6,121).

#### **Pension Infrastructure Platform (PIP) Limited**

During the period, Sustainable Communities for Leeds Limited has:

- Paid Director's fees of £24,893 (2022 - £23,336). At 31 March 2023 outstanding payment due was £9,700 (2022 - £6,121).

### **18 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 Sustainable Communities for Leeds (Holdings) Limited, Unit 18, Riversway Business Village, Navigation Road, Ashton-on-Ribble, Preston, Lancashire, PR2 2YP. These are the largest and smallest group of undertakings for which group accounts are drawn up.

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.