

Yorkshire Transformations Limited
Financial statements
For the year ended 31 December 2011

Registered number: 04768921 (England and Wales)

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YORKSHIRE TRANSFORMATIONS LIMITED
(REGISTERED NUMBER: 04768921)

Company information

Directors	M A Donn G Farley T J Hepton M A Trodd M T Smith G J Walsh
Company number	04768921
Registered office	24 Birch Street Wolverhampton West Midlands WV1 4HY
Auditor	PKF (UK) LLP Farringdon Place 20 Farringdon Road London EC1M 3AP
Bankers	Bank of Scotland 3 Earl Grey Street Edinburgh EH3 9BN
Legal Advisors	DLA Piper UK LLP Princes Exchange Princes Square Leeds LS1 4BY
Loan Finance	Bank of Scotland Infrastructure Finance Level 2 New Ubernor House 3 Earl Grey Street Edinburgh EH3 9BN

YORKSHIRE TRANSFORMATIONS LIMITED
(REGISTERED NUMBER 04768921)

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YORKSHIRE TRANSFORMATIONS LIMITED
(REGISTERED NUMBER: 04768921)

Directors' report for the year ended 31 December 2011

The directors present their report and the financial statements for the year ended 31 December 2011

Principal activities and review of business

The Company's principal activity is that of a Private Finance Initiative Concessionaire for the Yorkshire Transformations Project, under the terms of a Project Agreement dated 20 April 2005

The Company's Project Agreement required it to finance, refurbish and maintain homes in the Swarcliffe area of Leeds. The concession is intended to continue for a period of 25 years.

Work commenced on the refurbishment of the properties in July 2005 and was completed in January 2010.

There have not been any changes in the company's activities in the year under review, and the directors are not aware, at the date of this report, of any likely changes in the next year.

Results

As shown in the company's statement of comprehensive income on page 8 the company's profit for the year, after taxation, amounted to £299,000 (2010: £278,000). The statement of financial position on page 9 of the financial statements shows the company's financial position at the year end.

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. 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.

Dividends

Dividends of £1,125,000 (2010: £422,000) were paid in the year. No further dividends have been declared for the year ended 31 December 2011.

Directors

The directors who served during the year were

M A Donn
G Farley
T J Hepton
M A Trodd
M T Smith
G J Walsh

YORKSHIRE TRANSFORMATIONS LIMITED
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Directors' report for the year ended 31 December 2011

Financial instruments

The company has a variety of financial instruments. The company's accounting policy in respect of financial instruments and details of the company's financial instruments are contained in the notes to the financial statements (Note 2.1 and Note 19).

Provision of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing their report and to establish that the company's auditor is aware of that information.

This report was approved by the board on *16 July* 2012 and signed on its behalf



M Trodd
Director

YORKSHIRE TRANSFORMATIONS LIMITED
(REGISTERED NUMBER 04768921)

Directors' responsibilities statement

The directors are responsible for preparing the directors' 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 elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. 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 judgments and accounting estimates that are reasonable and prudent,
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union, 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, to disclose with reasonable accuracy at any time the financial position of the company and to 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.

YORKSHIRE TRANSFORMATIONS LIMITED
(REGISTERED NUMBER: 04768921)

Independent auditor's report to the members of Yorkshire Transformations Limited

We have audited the financial statements of Yorkshire Transformations Limited for the year ended 31 December 2011 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 auditor

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. 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 Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 December 2011 and of its result for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

YORKSHIRE TRANSFORMATIONS LIMITED
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Independent auditor's report to the members of Yorkshire Transformations Limited

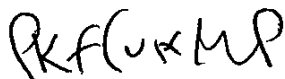
Opinion on other matter prescribed by the Companies Act 2006

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

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



David Pomfret (Senior statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditor

London, UK

Date 17 July 2012

YORKSHIRE TRANSFORMATIONS LIMITED
(REGISTERED NUMBER 04768921)

Statement of comprehensive income for the year ended 31 December 2011

	Note	2011 £000's	2010 £000's As restated
Continuing operations			
Revenue	4	3,897	6,032
Cost of sales		<u>(3,579)</u>	<u>(5,454)</u>
Operating profit	5	318	578
Finance income	6	2,581	2,614
Finance costs	7	<u>(2,492)</u>	<u>(2,806)</u>
Profit before tax		407	386
Income tax charge	8	(108)	(108)
Profit for the year		<u>299</u>	<u>278</u>
Other comprehensive income			
Change in fair value of effective cash flow hedges	1, 15	(3,627)	(1,234)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		<u>(3,328)</u>	<u>(956)</u>

The notes on pages 12 to 24 form part of these financial statements

YORKSHIRE TRANSFORMATIONS LIMITED
(REGISTERED NUMBER 04768921)

Statement of financial position as at 31 December 2011

	Note	2011 £000's	2010 £000's As restated
Assets			
Non-current assets			
Finance lease receivable	9	31,508	33,915
Deferred tax assets	10	2,543	1,480
		<u>34,051</u>	<u>35,395</u>
Current assets			
Trade receivables	11	23	23
Other receivables	12	2,769	2,923
Cash and cash equivalents	13	5,121	6,094
		<u>7,913</u>	<u>9,040</u>
Liabilities			
Current liabilities			
Trade and other payables	14	(978)	(1,822)
Corporation tax payable		(108)	(58)
Current portion of long-term borrowings	15	(1,938)	(1,910)
		<u>(3,024)</u>	<u>(3,790)</u>
Net current assets		<u>4,889</u>	<u>5,250</u>
Non-current liabilities			
Non-current borrowings	15	(36,193)	(38,135)
Financial derivatives	1, 15	(10,172)	(5,482)
		<u>(46,365)</u>	<u>(43,617)</u>
Net liabilities		<u>(7,425)</u>	<u>(2,972)</u>
Equity attributable to equity holders of the parent			
Ordinary shares	16	-	-
Retained earnings		204	1,030
Hedging reserve	1	(7,629)	(4,002)
Total equity		<u>(7,425)</u>	<u>(2,972)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on *16 July* 2012

M Trodd

M Trodd
Director

The notes on pages 12 to 24 form part of these financial statements

YORKSHIRE TRANSFORMATIONS LIMITED
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Statement of changes in equity for the year ended 31 December 2011

	Attributable to equity holders			
	Share capital £000's	Hedging reserve £000's	Retained earnings £000's	Total equity £'000s
Balance at 1 January 2011 (As restated)	-	(4,002)	1,030	(2,972)
Changes in equity for 2011				
Profit for the year	-	-	299	299
Change in fair value of effective cash flow hedges	-	(3,627)	-	(3,627)
Total comprehensive income for the year	-	(3,627)	299	(3,328)
Dividends paid	-	-	(1,125)	(1,125)
Balance at 31 December 2011	-	(7,629)	204	(7,425)

	Attributable to equity holders			
	Share capital £000's	Hedging reserve £000's	Retained earnings £000's	Total equity £'000s
Balance at 1 January 2010 (As previously reported)	-	-	1,174	1,174
Prior year adjustment	-	(2,768)	-	(2,768)
Balance at 1 January 2010 (As restated)	-	(2,768)	1,174	(1,594)
Changes in equity for 2010				
Profit for the year	-	-	278	278
Change in fair value of effective cash flow hedges	-	(1,234)	-	(1,234)
Total comprehensive income for the year (As restated)	-	(1,234)	278	(956)
Dividends paid	-	-	(422)	(422)
Balance at 31 December 2010 (As restated)	-	(4,002)	1,030	(2,972)

The notes on pages 12 to 24 form part of these financial statements

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred, together with any related deferred taxation

Retained earnings

Retained earnings comprise the readily distributable reserves of the company

YORKSHIRE TRANSFORMATIONS LIMITED
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Statement of cash flows for the year ended 31 December 2011

	Note	2011 £000's	2010 £000's
Cash flows from operating activities			
Profit before taxation		407	386
Adjustment for			
(Increase)/decrease in trade and other receivables		(52)	11
Decrease in trade and other payables		(844)	(315)
Additions to finance lease receivables		(3,139)	(5,768)
Decrease in provisions		-	(1,269)
Finance income		(2,581)	(2,614)
Finance costs		2,492	2,806
Income taxes paid		(58)	(150)
Net cash used in operating activities		<u>(3,775)</u>	<u>(6,913)</u>
Cash flows from investing activities			
Bank interest received		-	-
Receipts on finance leases		8,333	7,977
Net cash from investing activities		<u>8,333</u>	<u>7,977</u>
Financing activities			
Interest paid		(2,492)	(2,806)
(Repayment)/draw down of bank loans		(1,744)	4,275
Repayment of unsecured loan notes		(170)	-
Dividends paid		(1,125)	(422)
Net cash from financing activities		<u>(5,531)</u>	<u>1,047</u>
Net (decrease)/increase in cash and cash equivalents		(973)	2,111
Cash and cash equivalents at the beginning of the year		6,094	3,983
Cash and cash equivalents at the end of the year	13	<u>5,121</u>	<u>6,094</u>

The notes on pages 12 to 24 form part of these financial statements

YORKSHIRE TRANSFORMATIONS LIMITED
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Notes to financial statements for the year ended 31 December 2011

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in note 3.

The functional currency is pounds sterling.

The company have previously not recognised the fair value of any cash flow hedges taken out. As such the prior figures were restated to accurately reflect the fair value of the company's liabilities at 31 December 2010. This increased the company's liabilities and the company's hedging reserve by £4,002,000 and reduced the company's comprehensive income for the year then ended by £1,234,000.

1.1 Standards and interpretations issued but not yet applied

Standards and interpretations that have been issued but are not yet effective, and that are available for early application, have not been applied by the company in these financial statements. Application of these standards and interpretations is not expected to have a material effect on the financial statements in the future.

1.2 Standards issued and applied for the first time this year

All standards and interpretations that became effective in 2011 are not relevant to the company's operations and do not have a material impact on the financial statements.

1.3 Going concern

The directors have considered the company's net liabilities position at the balance sheet date and reviewed cash flow forecasts and have concluded that preparation of the financial statements on a going concern basis is appropriate given the long term contracts in place with Leeds City Council and that the net liabilities of £7,425,000 at the year end include the fair value of the interest rate derivatives, which has been included in liabilities at £10,172,000. The financial models show that the company will be able to meet its short-term and long-term liabilities as they fall due, taking into consideration the interest rates which have been fixed by the cash flow hedges.

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Notes to financial statements for the year ended 31 December 2011

2 Accounting policies

2.1 Financial instruments

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement

Financial instruments are recognised on trade date when the company becomes a party to the contractual provisions of the instrument. Financial instruments are recognised initially at fair value plus, in the case of a financial instrument not at fair value through profit and loss, transactions costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments are derecognised on trade date when the company is no longer a party to the contractual provisions of the instrument.

The company has entered into interest rate derivatives as a means of hedging interest rate risk. The effective part of the change in fair value of these cash flow hedges is recognised directly in equity. Any ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the periods when the hedged items will affect profit or loss. The fair value of interest rate swaps is the estimated amount that the company would receive or pay to terminate the swap at the balance sheet date.

2.1.1 Trade receivables

Trade receivables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash receipts over the short credit period is not considered to be material. Trade receivables are reduced by appropriate allowances for estimated irrecoverable amounts. Trade receivables do not carry interest.

2.1.2 Cash and cash equivalents

Cash equivalents comprise short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. An investment with a maturity of three months or less is normally classified as being short-term. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.1.3 Trade payables

Trade payables are stated at their original invoiced value, as the interest that would be recognised from discounting future cash payments over the short payment period is not considered to be material.

2.1.4 Interest-bearing borrowings

Interest-bearing borrowings are stated at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

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Notes to financial statements for the year ended 31 December 2011

2.2 Revenue

2.2.1 Public to private concession arrangements

A substantial portion of the company's assets are used within the framework of concession contracts granted by public sector customers ('grantors'). Under these contracts, the company refurbishes and maintains local authority housing that is leased to Leeds City Council on a 25 year lease

In order to fall within the scope of IFRIC 12, a contract must satisfy the following two criteria

- the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price, and
- the grantor controls the significant residual interest in the infrastructure at the end of the term of the arrangement

Pursuant to IFRIC 12, such infrastructures are not recognised in assets of the operator as property, plant and equipment but in financial assets ('financial asset model')

2.2.2 'Financial asset model'

The financial asset model applies when the operator has an unconditional right to receive cash or another financial asset from the grantor

In the case of concession services, the operator has such an unconditional right if the grantor contractually guarantees the payment of

- amounts specified or determined in the contract or
- the shortfall, if any, between amounts received from users of the public service and amounts specified or determined in the contract

Financial assets resulting from the application of IFRIC 12 are recorded in the statement of financial position under the heading finance lease receivables and measured at amortised cost

Pursuant to IAS 39, an impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate

The portion falling due within less than one year is presented in current assets, while the portion falling due within more than one year is presented in the non-current heading

Pursuant to IAS 18, revenue associated with this financial model comprises revenue determined on a completion basis in the case of refurbishment of operating financial assets (in accordance with IAS 11), and maintenance remuneration. The stage of completion of refurbishment is determined by comparing independently certified costs incurred to date to total contracted costs

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Notes to financial statements for the year ended 31 December 2011

2.3 Lifecycle provisions

As part of its obligations under concession arrangements, the company undertakes to maintain and repair the property that it operates. The resulting maintenance and repair costs are analysed in accordance with IAS 37 on provisions and a provision is recorded where there is work to be performed.

2.4 Deferred taxation

Deferred tax is the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities shown on the statement of financial position. Deferred tax assets and liabilities are not recognised if they arise in the following situations: the initial recognition of goodwill, or the initial recognition of assets and liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date.

The company does not recognise deferred tax liabilities, or deferred tax assets, on temporary differences associated with investments in subsidiaries, joint ventures and associates where the parent company is able to control the timing of the reversal of the temporary differences and it is not considered probable that the temporary differences will reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of the deferred tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

3 Accounting estimates and judgements

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

3.1 Key sources of estimation uncertainty

(a) Finance lease receivables – The calculation of the amortised cost of finance lease receivables requires an estimate of the residual value of the property at the end of the lease term. This estimate has been based on the residual value allocated to the contract in the financial models, which form the basis for the calculation of rent charged to the lessees.

(b) Refurbishment revenue – Where properties are refurbished by the company and are disposed of on finance leases, so that the company acts as lessor, refurbishment revenue is recognised at cost plus an estimated mark up for profit on refurbishment services.

3.2 Critical judgements

(a) Concession arrangements – The concession arrangements undertaken by the company are considered to fall within the scope of IFRIC 12, as described in note 2.2.1. This judgement has been based on a consideration of the nature and terms of the agreements.

(b) Finance lease receivables – The lease agreement with Leeds City Council includes provision for the annual uplift of rentals with reference to movements in the RPI index. As a result, the finance lease receivables have been treated as floating rate assets as defined in IAS 39.

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Notes to financial statements for the year ended 31 December 2011

4 Revenue

	2011 £000's	2010 £000's
The company's revenue comprises		
Refurbishment revenue, exchanged as part of concession arrangements for finance lease receivables	3,139	5,768
Other	758	264
	<u>3,897</u>	<u>6,032</u>

5 Auditor's remuneration

	2011 £000's	2010 £000's
Fees payable to the company's auditor for the audit of the company's annual accounts	11	10

These fees covered both this company and its parent and were borne by this company

6 Finance income

	2011 £000's	2010 £000's
Interest income on finance lease receivables	2,581	2,614
	<u>2,581</u>	<u>2,614</u>

7 Finance costs

	2011 £000's	2010 £000's
Interest on borrowings	2,492	2,806
	<u>2,492</u>	<u>2,806</u>

8 Income tax

	2011 £000's	2010 £000's
Corporation tax		
Current year	108	108
	<u>108</u>	<u>108</u>

The tax charge for the year can be reconciled to the profit for the year as follows

	2011 £000's	2010 £000's
Profit before tax	407	386
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5% (2010 - 28%)	108	108
Tax expense	<u>108</u>	<u>108</u>

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Notes to financial statements for the year ended 31 December 2011

8. Income tax (continued)

The Budget announced by the Chancellor in March 2011 (the 'March 2011 Budget') included changes to the main rates of tax for UK companies. The main rate of corporation tax decreased from 28% to 26% from 1 April 2011. Prior to the 2011 Budget, it had been expected that the rate would fall to 27%, as this was the rate enacted in the Finance Act 2010.

The 2011 Budget also proposed a further 1% reduction to 25% from 1 April 2012. This amendment is included in the Finance (No. 3) Bill 2010-11 that received its third reading in the House of Commons on 5 July 2011. Therefore the decrease in tax rate to 25% was substantively enacted on 5 July 2011 and so all deferred tax assets and liabilities being realised or settled on or after 5 July 2011 have been calculated using the new 25% rate (those that will be realised or settled before 5 July 2011 apply the 26% rate previously enacted). The planned further reductions have not been substantively enacted at the balance sheet date and have not been taken into account when calculating deferred tax assets and liabilities.

It has not been possible to quantify the full anticipated effect of future tax reductions, although this will further reduce the company's future current tax charge accordingly.

9 Finance lease receivables

	2011	2010
	£000's	£000's
Net finance lease receivables		
Current assets		
Not later than 1 year (note 12)	1,996	2,202
	1,996	2,202
Non current assets		
Later than 1 year and no later than 5 years	6,934	7,716
Later than 5 years	24,574	26,199
	31,508	33,915
	33,504	36,117

10 Deferred tax assets

Deferred tax assets are attributable to temporary differences relating to the following

	2011	2010
	£000's	£000's
		(As restated)
On fair value of financial derivatives (see note 15)	2,543	1,480
	2,543	1,480

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Notes to financial statements for the year ended 31 December 2011

10 Deferred tax assets continued

Movements in temporary differences during the year are as follows

	Balance at 1 January 2010 £000's (As restated)	Recognised in equity £000's	Balance at 31 December 2010 £000's (As restated)
On fair value of financial derivatives	1,077	403	1,480
	<u>1,077</u>	<u>403</u>	<u>1,480</u>
	Balance at 1 January 2011 £000's (As restated)	Recognised in equity £000's	Balance at 31 December 2011 £000's
On fair value of financial derivatives	1,480	1,063	2,543
	<u>1,480</u>	<u>1,063</u>	<u>2,543</u>

11. Trade receivables

As at 31 December 2011 and 31 December 2010, the analysis of trade debtors that were past due but not impaired is as follows

		Past due but not impaired			
		Neither past due nor impaired	More than 30 days	More than 60 days	More than 90 days
	Total £000's	£000's	£000's	£000's	£000's
2011	23	-	-	-	23
2010	23	-	-	1	22

12 Other receivables

	2011 £000's	2010 £000's
Prepayments	80	51
Other receivables	693	670
Finance lease receivables (note 9)	1,996	2,202
	<u>2,769</u>	<u>2,923</u>

13. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts

	2011 £000's	2010 £000's
Cash on hand and balances with banks	5,121	6,094
Cash and cash equivalents	<u>5,121</u>	<u>6,094</u>

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Notes to financial statements for the year ended 31 December 2011

14. Trade and other payables

	2011 £000's	2010 £000's
Accruals	739	1,378
Amounts due to parent company	100	100
Social security and other taxes	73	150
Trade creditors	66	194
	978	1,822

15. Borrowings

	2011 £000's	2010 £000's
Non-current mortgage liabilities	32,618	34,392
Unsecured loan notes	3,575	3,743
Non-current borrowings	36,193	38,135

	2011 £000's	2010 £000's
Bank borrowing due within 1 year	1,769	1,739
Unsecured loan notes due within 1 year	169	171
Current portion of long term borrowings	1,938	1,910

Interest is payable over the course of the mortgage agreement at the following rates

During operations phase LIBOR + 0.90%

The company has entered into swap agreements fixing the rate at 5.292% until March 2033. The swap has been designated as a cash flow hedge. The hedge is 'highly effective'. The fair value of these derivatives is based on quoted prices in active markets, with the movement in fair value each year recognised in the change in fair value of effective cash flow hedges within the statement of comprehensive income. At 31 December 2011 the fair value liability of the interest rate derivatives amounted to £10,172,000 (2010: £5,482,000) of which £10,172,000 (2010: £5,482,000) (and the related deferred tax asset of £2,543,000 (2010: £1,480,000)) has been recognised in the hedging reserve.

The company's secured creditors have the benefit of first ranking charges granted by the company over the whole of its investments, undertaking, property, assets, insurances and rights over certain contracts, both present and future, together with a first ranking charge over all of the ordinary shares of the company and those of its holding company, Yorkshire Transformations Holdings Limited. Additional information on the loan notes is shown in note 18.

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Notes to financial statements for the year ended 31 December 2011

16 Share capital

	2011 £	2010 £
Allotted, called up and fully paid		
1 ordinary share of £1	<u>1</u>	<u>1</u>

17. Ultimate holding company

The ultimate and immediate holding company is Yorkshire Transformation Holdings Limited, a company registered in England and Wales. Copies of the accounts are available from Companies House, Crown Way, Cardiff CF14 3UZ.

18 Related parties

The company's parent company is owned jointly by Yorkshire Housing Limited, BoS Infrastructure (No 3) Limited and Carillion Private Finance Limited.

On 18 March 2005 the company entered into a £36,855,000 fixed price design and build contract with Carillion JM Limited (formerly Mowlem plc) for the refurbishment of properties in the Swarcliffe area of Leeds. The total value of work completed on the above contract during the year was £129,000 (2010 £663,000). At the year end amounts owed to Carillion were £7,000 (2010 £15,000).

On 18 March 2005 the company entered into a contract for the provision of maintenance services for the properties with Yorkshire Housing Limited (formerly Yorkshire Community Housing Limited). The total value of work completed under this contract during the year was £2,006,000 (2010 £2,155,000). At the year end amounts owed to Yorkshire Housing Limited were £nil (2010 £12,000).

Under the terms of an Investor's Agreement Yorkshire Housing Limited, BoS Infrastructure (No 3) Limited and Carillion JM Limited (formerly Mowlem plc) provide the company with its directors. The value of work undertaken in the year was £151,000 (2010 £144,000). As at 31 December 2011 trade creditors and accruals includes £52,000 (2010 £144,000) due to the Shareholders.

Yorkshire Transformations Limited has also entered into a Management Services agreement with Carillion Private Finance Limited for the provision of management and technical support services. The value of work undertaken in the year was £240,000 (2010 £277,000). As at 31 December 2011 trade creditors and accruals includes £23,000 (2010 £6,000) due to Carillion Private Finance Limited.

At 31 December 2011 there was £100,000 (2010 £100,000) owed to the holding company, Yorkshire Transformations Holdings Limited.

Amounts owed by and to related parties, except those included in note 15, are unsecured, interest-free, and have no fixed terms of repayment. The balances will be settled in cash. No guarantees have been given or received. No provisions for doubtful debts have been raised against amounts outstanding and no expense has been recognised during the period in respect of bad or doubtful debts due from related parties.

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18. Related parties continued

Unsecured Subordinated Loan Stock 2034

On 18 March 2005 the Company and Yorkshire Transformations Holdings Limited created £4,002,306 unsecured Loan Notes 2034, constituted under Deed Polls entered into on the same date

Under the terms of an Equity Subscription Agreement dated 18 March 2005, the Shareholders of the holding company have agreed to subscribe for Loan Stock of Yorkshire Transformations Holdings Limited of up to £4,002,306 Yorkshire Transformations Holdings Limited has in turn agreed to subscribe for up to £4,002,306 Loan Stock of the company The Loan Stock was issued during 2010 and is being repaid in line with its repayment terms The proceeds of the stock issue will be used by the company to finance its obligations under its Project Agreement with Leeds City Council Interest, at a rate of 12%, charged in the year on the loan stock amounted to £459,000 (2010 £443,000)

Directors' remuneration

	2011 £000's	2010 £000's
Directors		
Director's fees paid to third parties	<u>151</u>	<u>144</u>
	<u>151</u>	<u>144</u>

In both years, there were no directors to whom retirement benefits were accruing

There were no employees other than the directors who are paid through third parties

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Notes to financial statements for the year ended 31 December 2011

19 Financial instruments

19 1 Categories of financial assets and liabilities

All financial instruments valued at fair value are valued with reference to level two of the fair value hierarchy as set out in IFRS7 Financial Instruments Disclosures. Fair values are determined based on prices that are observable for the asset or liability, either directly or indirectly.

The categories of financial assets and financial liabilities are as follows

Financial assets

	2011 £000's	2010 £000's
Loans and receivables		
Cash and cash equivalents	5,121	6,094
Finance lease receivables	33,504	36,117
Trade and other receivables	716	693
	<u>39,341</u>	<u>42,904</u>

Financial liabilities

	2011 £000's	2010 £000's
Amortised cost		
Mortgage liabilities	34,387	36,131
Unsecured loan notes	3,744	3,914
Trade and other payables	978	1,822
	<u>39,109</u>	<u>41,867</u>
At fair value through profit and loss		
Financial derivatives	10,172	5,482
	<u>49,281</u>	<u>47,349</u>

19 2 Financial risk management

The company's operations expose it to a number of financial risks. The board regularly reviews and agrees policies for managing each of these risks and these are summarised below.

Credit risk

Credit risk is the risk of financial loss where counterparties are not able or are unwilling to meet their obligations.

Finance lease receivables and trade receivables primarily comprise of amounts due from Leeds City Council. Management considers the credit quality of this debtor to be good in respect of the amounts outstanding, due to it being a government body, and therefore credit risk is considered to be low. Cash and cash equivalents comprise balances held with banks. To reduce the risk of counterparty default the company only uses approved high quality banks.

The maximum credit risk exposure relating to the financial assets is represented by the carrying value as at the balance sheet date.

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19.2 Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the company has insufficient financial resources available to meet its obligations as they fall due. Management reviews cashflow forecasts on a regular basis to determine whether the company has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities.

The financial assets of the company are modelled so as to match the profile of the financial liabilities, the maturity analysis of which is set out below. Management closely monitors performance against the financial models and takes action if necessary when performance is not in line with modelled expectations.

The table below summarises the maturity profile of the company's financial liabilities, on an undiscounted basis, at 31 December 2011 and 31 December 2010.

2011	Less than 3 months	3 to 12 months	1 to 5 Years	More than 5 years	Total
	£000's	£000's	£000's	£000's	£000's
Financial liabilities					
Bank loans*	2,009	1,876	12,941	44,654	61,480
Unsecured loan notes	308	306	2,055	7,704	10,373
Trade and other payables	978	-	-	-	978
	3,295	2,182	14,996	52,358	72,831
2010	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	£000's	£000's	£000's	£000's	£000's
Financial liabilities					
Bank loans*	1,959	2,004	13,951	47,529	65,443
Unsecured loan notes	329	309	2,215	8,158	11,011
Trade and other payables	1,822	-	-	-	1,822
	4,110	2,313	16,166	55,687	78,276

* These amounts reflect the fixed interest repayments due to the interest rate swap in place. See note 15 for details.

Interest rate risk

The company's exposure to market risk for changes in interest rates is considered to be very small, as all bank and other loans are at fixed rates. The risk for changes in interest rates is therefore restricted to the interest earned on bank deposits, which is immaterial to the company. It is the company's policy to settle trade payables within the credit terms allowed and the company does therefore not incur interest on overdue balances.

The company manages interest rate risk on its primary borrowings by agreeing fixed interest rates on its unsecured loan notes and through the use of interest rate swaps on its variable rate bank loans. Under the interest rate swap the company agrees with the lender to exchange, at monthly and semi-annual intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

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19.2 Financial risk management (continued)

As can be seen in the current year, the profitability of the company is affected by fluctuations in the fair value of the interest rate swaps. Over the term of the loans interest rates have been fixed, so as to minimise the cashflow interest rate risk. It is expected that at the end of the term of the swap, the liability will be nil.

Whilst the variable interest rate is based on LIBOR, the fair value of the swaps is most sensitive to variations in the expectations of long term interest rates over the term of the swap. If expectations of future interest rates fall, the fair value of the interest rate swap liability will increase, whereas if expectations of long term interest rates increase, the value of the liability will reduce.

Capital management

The company seeks to match long term assets with long term funding, and short term assets with short term funding. Borrowings are required primarily to finance construction activity, and the related lease payments from customers are set at a level that will ensure that repayments of borrowings can be met as they fall due. Other expenses are met by cash balances generated from the company's ordinary activities.