Sustainable Communities for Leeds (Finance) Plc

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

Registered number: 08594721

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Sustainable Communities for Leeds (Finance) Plc

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Sustainable Communities for Leeds (Finance) Plc

Information Page

Company Number

08594721

Company registered office

c/o Pario Limited,
Unit 18 Riversway Business Village,
Navigation Way,
Preston,
Lancashire,
PR2 2YP

Country of incorporation

UK

Directors

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

Auditor

BDO LLP
3 Hardman Street
Manchester
M3 3AT

Bankers

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

Sustainable Communities for Leeds (Finance) Plc

Strategic report
for the period ended 31 March 2014

Business review and future developments

The company was incorporated on 2 July 2013 for the purpose of carrying out the principal activities of undertaking an issue of bonds and on-loaning the proceeds of the bond Issue to Sustainable Communities for Leeds Limited. The issue of bonds was effected on 11 July 2013 and the proceeds of the issue were loaned to Sustainable Communities for Leeds Limited on the same date.

Sustainable Communities for Leeds (Finance) Plc, acts as a fundraising company for Sustainable Communities for Leeds group of companies. The principal activity of Sustainable Communities for Leeds Limited is the refurbishment of housing stock in the Beeston, Little London and Holbeck areas of Leeds, alongside demolition of properties and construction of new-build properties. The construction period will last for 44 months to September 2017. During this time the company will also provide facilities management services, which increase as each phase of construction is certified. The operational phase of the project is planned to continue until September 2033.

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

Principal risks and uncertainties

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

Financial risk management

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

Interest rate risk

The Bond and subordinated debt interest have been fixed. Details of these borrowings can be found in notes 6 and 8 to the financial statements.

Liquidity risk

The company acts as a fundraising company for the Sustainable Communities for Leeds group of companies. The funds raised from the issue of Bonds, subordinate debt and equity are passed through to Sustainable Communities for Leeds Limited. When payments are made to bond holders and finance providers these are passed from Sustainable Communities for Leeds Limited through the company. No cash is held within the company.

Credit risk

The Fixed Rate Guarantee Bonds are listed on the Irish Stock Exchange. The Bonds are guaranteed by an institution of a suitable credit quality. Each year an annual review is carried out by Moody's and Standard & Poor's to assess the performance of the company.

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

Key performance indicators

The company's operations are managed under the supervision of its shareholders and funders and are largely determined by the detailed terms of the PFI contract which stipulates key performance criteria on operational activities performed by Sustainable Communities for Leeds Limited. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the performance or position of the business.

The company's performance during the period and financial position at 31 March 2014 is shown on page 8 and 9.

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

D Taylor

D Taylor
Director
18 June 2014

Sustainable Communities for Leeds (Finance) Plc

Directors' report
for the period ended 31 March 2014

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

The company's principal activity and a review of the business is included in the Strategic report.

Directors

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

C Rossiter (appointed 3 July 2013)
D Taylor (appointed 3 July 2013)
D Joyce (appointed 3 July 2013)
B Haughey (appointed 3 July 2013)
S Jones (appointed 3 July 2013)
F D'Alonzo (appointed 3 July 2013)

Dividends

A dividend was not proposed in the period.

Employment Policy

The company has no employees.

Payment Policy

The company has no formal code or standard that deals specifically with the payment of suppliers. However the company's policy on the payment of all creditors is to ensure that the terms of payment as specified by and agreed with the supplier are not exceeded, provided all trading terms and conditions have been complied with.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company 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 group and the company and of the profit or loss of the group 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; 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 group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Auditor and disclosure of information to auditors

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

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and

(b) they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

D. Taylor

D Taylor
Director
18 June 2014

Independent auditor's report to the members of Sustainable Communities for Leeds (Finance) Plc

We have audited the financial statements of Sustainable Communities for Leeds (Finance) Plc for the period ended 31 March 2014 which comprise the profit and loss account, the statement of total recognized gains and losses, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

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 31st March 2014 and of its result for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Independent auditors' report to the members of Sustainable Communities for Leeds (Finance) Plc (continued)

Matters on which we are required to report by exception

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

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



Mark Sykes (senior statutory auditor)

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

Date: 23 June 2014

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

Sustainable Communities for Leeds (Finance) Plc

Profit and Loss account
for the period ended 31 March 2014

	Notes	Period ended 31 March 2014 £
Turnover		-
Cost of sales		-
Operating profit	2	-
Interest receivable and similar income	3	5,202,535
Interest payable and similar charges	4	(5,202,535)
Profit on ordinary activities before taxation		-
Tax on profit on ordinary activities		-
Profit for the financial period		-

The company has been engaged solely in continuous activities in a single class of business within the United Kingdom.

There is no difference between the result for the financial period as shown in the profit and loss account and its historical cost equivalent.

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

Sustainable Communities for Leeds (Finance) Plc

Balance sheet
as at 31 March 2014

Registered number: 08594721

	Notes	2014
Current assets		
Debtors: amounts falling due after more than one year	5	113,071,410
Net current assets		113,071,410
Creditors: amounts falling due after more than one year	6	(113,021,410)
Net assets		50,000
Capital and reserves		
Called up share capital	8	50,000
Profit and loss account	9	-
Total shareholder's funds	10	50,000

The financial statements on pages 8 to 16 were approved by the board on 18 June 2014 and were signed on its behalf by:

D. Taylor

D Taylor
Director

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

1 Accounting policies

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

Basis of preparation of accounts

The financial statements are prepared under the historical cost convention, using consistently applied accounting policies and in accordance with the Companies Act 2006 and applicable United Kingdom financial accounting and reporting standards.

Cash flow statement

As permitted by FRS1 (revised) "Cash Flow Statements", the company has not prepared a cash flow statement as the company is 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.

Going Concern

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

Finance costs

In accordance with FRS 4 – "Capital Instruments", all issue costs, which are directly attributable to the issuing of the debt, are offset against the related borrowings within creditors.

2 Operating profit

The company had no employees during the period other than the directors. No remuneration was paid directly by the company to the directors in respect of their services to the company, nor recharged by other companies.

The amounts paid by the other group companies but not recharged relating to the services of C Rossiter, D Taylor, S Jones, F D'Alonzo, B Haughey, and D Joyce totalled £21,329 and reflect the secondment costs recharged to by each shareholder. None of the directors received any defined benefit or defined contribution pension scheme contributions from the company.

The auditor's remuneration, paid by other group companies but not recharged, in respect of the audit of the company's financial statements was £24,000 and £4,000 in respect of tax compliance services during the period.

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

3 Interest receivable and similar income

	Period ended 31 March 2014
	£
Interest receivable on Issuer Loan Notes	1,121,214
Interest receivable on Bond	3,723,856
Amortisation of FRS4 fees	204,715
Finance guarantor ongoing fee	152,750
	5,202,535

4 Interest payable and similar charges

	Period ended 31 March 2014
	£
Interest payable on Bond	3,723,856
Interest payable on subordinated loan	1,121,214
Amortisation of issue costs	204,715
Finance Guarantor ongoing fee	152,750
	5,202,535

Bank and other charges principally represent amortised costs and Finance Guarantor fees.

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

5 Tax on profit on ordinary activities

(a) Analysis of tax charge for the period

	2014 £
Current tax:	
UK corporation tax on profits for the period	-
Adjustment in respect of previous periods	-
	-
Deferred tax:	
Origination and reversal of timing differences	-
Tax on ordinary activities	-

(b) Factors affecting current tax charge

	2014 £
(Loss) on ordinary activities before taxation	-
(Loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20%	-
Effects of:	
Adjustment in respect of previous periods	-
Adjustment in relation to rate change on losses carried back	-
Unrelieved tax losses	-
Current tax (credit) for the period (note 5(a))	-

6 Debtors: Amounts falling due after more than one year

	2014
	£
Amounts owed by fellow group companies:	
Bond	99,220,196
Subordinated Loan	12,680,000
Subordinated Loan Interest	1,121,214
Other funds	50,000
	113,071,410

Interest accrues on subordinated loan at a fixed rate of 11.75% per annum. Interest accrues until September 2017 and then the loan is repayable by instalments over the remaining life of the project, and is unsecured.

The Bond is repayable from September 2017. Interest on the Bond is paid on a semi-annual basis on 31 March and 30 September.

The company passed on £50,000 of funds to Sustainable Communities for Leeds Limited via the Equity Proceeds On-Loan Agreement.

7 Creditors

	2014 £
Amounts falling due after more than one year:	
Bond	99,220,196
Subordinated Loan	12,680,000
Subordinated loan – accrued interest	1,121,214
	113,021,410

8 Analysis of creditors

	2014 £
Bond	101,833,000
Subordinated loan	12,680,000
Subordinated loan accrued interest	1,121,214
	115,634,214
Less: unamortised issue costs	(2,612,804)
	113,021,410

Maturity of debt	2014 £
Between two and five years	12,197,236
In more than five years	103,436,978
	115,634,214
Less: unamortised debt issue costs	(2,612,804)
	113,021,410

Fixed Rate Guarantee Bonds to the value of £101,833,000 were issued on 11 July 2013 with an interest rate of 5.069%. The Bonds are due for repayment by September 2032. The Company is to repay the Bonds in 39 instalments. Bonds held at 31 March 14 are £101,833,000.

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

9 Called up share capital

	2014 £
Allotted, called up and fully paid	
50,000 ordinary shares of £1 each	50,000
	50,000

On 2 July 2013 the company issued 50,000 ordinary shares at £1 each.

10 Profit and loss reserve

	2014 £
At 2 July 2013	-
Result for the financial period	-
At 31 March 2014	-

11 Reconciliation of movements in shareholders' funds

	2014 £
Opening shareholders' funds	-
Issue of new shares	50,000
Result for the financial period	-
Closing shareholders' funds	50,000

12 Commitments

On 11 July 2013 the company entered into a Bond Subscription agreement which allowed the issue of £101,833,000 worth of Bonds. Further to this the company entered into an Equity Proceeds On-Loan Agreement which results in a commitment to forward proceeds from the subscription of the Bonds, and Issuer Loan Notes to Sustainable Communities for Leeds Limited to finance the company.

13 Related party disclosures

The company has taken advantage of the FRS 8 exemption from disclosure of intra group transactions.

14 Ultimate parent company and controlling party

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

The share capital of Sustainable Communities for Leeds (Holdings) Limited is held 10% by Keepmoat PFI Leeds Limited, 40% by Equitix Housing 2 Limited and 50% Uberior Infrastructure Investments (No5) Limited. In the opinion of the directors there is no ultimate parent undertaking or controlling party.