Company registration number 04318115 (England and Wales)

ELLENBROOK DEVELOPMENTS PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

SATURDAY

AC2G7VA8

A05 29/04/2023 #349

COMPANIES HOUSE

ELLENBROOK DEVELOPMENTS PLC

COMPANY INFORMATION

Directors	N M Anand N Kaznacheieva
Secretary	Vercity Management Services Limited
Company number	04318115
Registered office	8 White Oak Square London Road Swanley Kent BR8 7AG
Auditor	RSM UK Audit LLP Chartered Accountants Central Square, 5th Floor 29 Wellington Street Leeds LS1 4DL

ELLENBROOK DEVELOPMENTS PLC

CONTENTS

	Page
Strategic report	1 - 4
Directors' report	5 - 6
Directors' responsibilities statement	7
Independent auditor's report to the members of Ellenbrook Developments PLC	8 - 12
Statement of total comprehensive income	13
Statement of financial position	14
Statement of changes in equity	15
Notes to the financial statements	16 - 27

ELLENBROOK DEVELOPMENTS PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present the strategic report for the year ended 31 December 2022.

Principal activities
The principal activities of the company are the design, construction, financing, servicing, maintenance and development of new student residences, sports and leisure facilities and associated works for the University of Hertfordshire Higher Education Corporation and its subsidiary Polyfield Property Limited. This agreement together with a loan facilities agreement, construction contract, a facilities management contract and other related contracts was signed on 6 February 2002. On the same date the company issued a £59,965,000 3.3894% Index-Linked Guaranteed Secured Bond due for full repayment by 31 July 2032 to fund the project. Completion of the sports and leisure facilities took place on 1 August 2003 and that of the student residences on 8 September 2003. Operational activities commenced and availability payments also became receivable on these dates. The concession ends on 31 August 2033.

Section 172 Companies Act 2006 Statement
The Directors have a duty to promote the success of the Company for the benefit of the shareholders as a whole and to describe how this duty has been performed with regard to those matters set out in section 172 of the Companies act 2006 ("section 172"). The Company has outsourced the management of the Company to Vercity Social Infrastructure (UK) Limited ("Vercity") previously known as HCP Social Infrastructure (UK) Ltd, the manager.

The Directors have identified the Company's main stakeholders as the following:

i. The Company's shareholders, bondholders and credit provider

Principal considerations of the board are whether the investment objective of the Company is meeting shareholder and bondholder expectations and how the manager implements the objective. A bondholder report is provided annually and a follow up meeting is proposed by the company each year where, if held, objectives and expectations are discussed with the board.

ii. The manager

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

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

The delivery by the manager of its services is fundamental to the long term success of the Company. The board seeks to engage regularly with the manager through a number of forums, including at board meetings, portfolio briefings and through engagement with the manager's senior leadership team. Regular reporting is provided to the board by the manager, which will alert the board to changes to regulation or market practice, which will inform the board's decision making.

(b) The interests of the Company's employees

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

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

The Company is committed to upholding the underlying principle of PFI of working in partnerships with all parties to the arrangement. As noted above, the Company has policies and procedures to ensure regular communication is maintained between the parties.

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

The Company has very limited direct impact on the environment as it has no greenhouse gas emissions. Notwithstanding that the Company is committed to minimizing environmental disruption from its activities. The board upholds the Company's environmental policy in all its activities and requires all parties to the arrangement to do the same.

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

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

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

The members of the Company are represented at board meetings by their appointed director(s). Conflicts on matters to be discussed are identified at each meeting of the board. Directors representing a member with a conflict of interest may therefore be excluded from any discussion or vote in regards to it.

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

Principal risks and uncertainties
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 directors have policies for managing each of these risks and they are summarised below:

Major maintenance
The principal risk borne by the company is that maintenance costs exceed those forecast in the financial model agreed at financial close. This risk is mitigated by regular management review of actual expenditure against budget and technical evaluations of the physical condition of the facilities.

Availability
Investment in the project is funded primarily by the Bond and subordinated unsecured loan stock. During the operational phase the principal source of funds available to meet its liabilities under the Bond will be the unitary charge received from the University under the Project Agreement. Failure to achieve the forecast levels of availability would result in lower than forecast revenues and this may adversely affect the company's ability to make payments to Bondholders. In order to minimise deductions against revenue for unavailability, the Management Service Provider agree annual lifecycle plans to ensure the asset stays in a good condition so unavailability is prevented from occurring. There were no deductions incurred in the year (2021: £nil).

Service performance
Performance risk under the Project Agreement and related contracts are passed on to the service providers. The obligations of these subcontractors are underwritten by parent company guarantees. Ultimately, poor performance may result in the University having the right to terminate the Project Agreement. The company has outsourced the financial and operational reporting functions to Vercity. Services and deductions are monitored by Vercity and there are monthly strategic meetings between the University, service provider and Vercity to create and discuss actions to minimise performance failures. As noted in the discussion of the company's KPI's, the levels of deductions levied in the year were low and are not considered to pose a risk to the project.

Financial instruments

The company has established a risk and financial management framework whose primary objectives are to protect the company from events that hinder the achievement of the company's performance objectives.

The objectives aim to ensure sufficient working capital exists and monitor the management of risk to future cashflows.

The company's financial instruments result in the company's exposure to liquidity, credit risk and interest rate risks. Further information on the financial instruments employed by the company can be seen in note 9 to these financial statements.

Credit risk: Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. The University is the sole client of the company. The directors consider that no significant risk arises from such a small client base since there are no indications that the University will not be able to fulfill their obligations. The carrying value of the financial asset of £42m (2021: £44.9m) is the maximum credit exposure.

Liquidity risk: Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company aims to mitigate liquidity risk by monitoring the timing of cash flows within the company.

Cash flow risk: Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability such as future interest payments on a variable rate debt. The risk exposure is assessed as low as the quantum and timing for the majority of the project's cash flows are contractually fixed.

Financial performance and financial position

The company made a profit of £563,000 (2021: loss of £125,000) for the year on a turnover of £6,120,000 (2021: £5,432,000). At 31 December 2022 the company had net assets of £4,798,000 (2021: £4,746,000).

Financial covenants have been met during the year and having considered the anticipated future performance and position of the company, the directors are of the opinion that the covenants will continue to be met in the future. The main financial covenant is the Annual Debt Service Cover Ratio (ADSCR), which monitors annual cashflow against annual senior debt payments, these ratios must be above default of 1.05 and lock up of 1.10 in order to pay distributions to Investors. ADSCR has been above 1.10 this year and remain so in future forecasts.

During the year, the company has repaid £4,009,514 of the Index Linked Secured Guaranteed Bond (the "Bond"). Repayment forecasts currently indicate planned repayments of the subordinate loan on 31 January and 31 July each year. In the previous financial year, the company repaid a total of £3,927,954.

During the year the company has repaid £719,965 of the subordinated unsecured loan stock. Repayment forecasts currently indicate planned repayments of the subordinate loan on 31 January and 31 July each year. In the previous year, the company repaid a total of £592,575.

The company is providing a full range of facilities management services as required under the Project Agreement.

The directors believe the financial asset to be recoverable over the term of the Project Agreement.

Key Performance Indicators

Financial penalties are levied by the University in the event of performance standards not being achieved according to detailed criteria set out in the Project Agreement. The deductions are passed on to the service providers but the quantum is an indication of unsatisfactory performance. During the financial year gross deductions totalled £nil (2021: £nil). This gross deduction amounts to £nil (2021: £nil) of the total fees charged by the service providers.

The directors have modelled the anticipated financial outcome of the project across the term of the contract up to the end of the concession. The directors monitor actual performance against this anticipated performance. As discussed above the company's performance as at 31 December 2022 against this measure was considered satisfactory.

Future Developments
There are no plans to change the nature of activities over the duration of the concession.

On behalf of the board

Nadiia Kaznacheieva
.....
N Kaznacheieva
Director
27/04/2023
.....

ELLENBROOK DEVELOPMENTS PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the year ended 31 December 2022

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

N M Anand	
M Dardi	(Resigned 6 October 2022)
N Kaznacheieva	(Appointed 6 October 2022)

Results and dividends
The results for the year are set out on page 13.

Interim dividends were paid amounting to £510,976 (2021: £nil). The directors do not recommend the payment of a final dividend.

Matters of strategic importance
There are no matters of strategic importance. Future developments are not shown within the Directors' report as they are shown within the Strategic Report as permitted under S414c(11).

Financial instruments risks
Further information on the risks and uncertainties associated with the company's financial instruments is presented in the Strategic Report on page 3.

Corporate Governance
Under section 7.1 of the Disclosure and Transparency Rules the company is required to either have a separate audit committee or set out the reasons why the directors view not having a separate audit committee is appropriate.

The board does not believe an audit committee is required for the following reasons:

- the directors are non-executive and employees of the ultimate shareholder.
- the board fulfils the responsibilities and requirements of an audit committee, through reviewing the financial controls and considering the appropriateness of the internal control and risk management systems. See Financial reporting, risk and Internal Control section.
- it also controls the appointment of the auditor, considers their independence and sets the auditor remuneration.

Financial reporting, risk and internal controls
The company has outsourced the financial reporting function to Vercity Management Services Limited ("Vercity"). Authorities remain vested in the company Board. Vercity reports regularly to the Board of the company. The Board receives quarterly reports from Vercity which specifically summarise and address the financial, contractual and commercial risks that the company is exposed to, and are pertinent to the industry in which the company operates. The Board also receives quarterly management accounts with explanations of variances from annual budgets and forecasts, which are in turn compared to the Financial Model, which represents the long term business plan of the company and outlines its ability to comply with its debt obligations and covenants. Material deviations from the business plan are investigated and reported on. Supporting this process, Vercity evaluates its performance under the framework of an Internal Review and Assessment programme which sits within its own Corporate Governance framework. This process ensures that the project remains robust and viable throughout the life of the contract.

Auditor
The auditor, RSM UK Audit LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Significant shareholdings and special rights

The company is 100% owned by Ellenbrook Holdings Limited. Ellenbrook Holdings Limited is owned by DIF Infra Yield I UK Limited. Each of the shareholders holds its shareholdings as a long term investment.

None of the company's ordinary shares carry any special rights with regard to the control of the company. There are no known arrangements under which financial rights are held by a person other than the beneficial owner of the shares and no known agreements on restrictions on share transfers (other than pre-emption rights between existing shareholders) or on voting rights.

Directors appointment and replacement, allotments of shares and control provisions

The rules about the appointment and replacement of directors are contained in the company's Articles of Association. Changes to the Articles of Association must be approved by the shareholders in accordance with the legislation in force at the time. The powers of the directors and authority to issue and allot ordinary shares are determined by UK legislation and the Memorandum and Articles of Association of the company in force from time to time. Subject to UK legislation the directors are empowered by the Articles to authorise the company to purchase its own shares.

The company does not have agreements with any director that would provide compensation for loss of office or employment following a takeover.

The Directors confirm that:

(a) the financial statements, prepared in accordance with UK Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and

(b) the Strategic report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that the company faces.

On behalf of the board

Nadiia Kaznacheieva

N Kaznacheieva
Director
Date: 27/04/2023

ELLENBROOK DEVELOPMENTS PLC

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors are responsible for preparing the Directors' Report, Strategic 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 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 the company and of the profit or loss of the company for that period.

In preparing those 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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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.

ELLENBROOK DEVELOPMENTS PLC

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ELLENBROOK DEVELOPMENTS PLC

Opinion

We have audited the financial statements of Ellenbrook Developments Plc (the 'company') for the year ended 31 December 2022 which comprise Statement of Total Comprehensive Income, the Statement of Financial Position and the 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 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 December 2022 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's 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 as applied to listed public interest entities 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.

Summary of our audit approach

Key audit matters	We have determined there are no key audit matters
Materiality	• Overall materiality: £1,010,000 (2021: £1,060,000) • Performance materiality: £757,000 (2021: 794,000)
Scope	Our audit procedures covered 100% of revenue, 100% of total assets and 100% of profit before tax.

Key audit matters

We have determined that there are no key audit matters to communicate in our report.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent our our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

Overall materiality	£1,010,000 (2021: £1,060,000)
Basis for determining overall materiality	1.85% of Gross Assets
Rationale for benchmark applied	Gross assets reflects the value of the finance debtor and associated balances, representing the present value of cashflows still to flow to the company under the terms of the PFI agreement. This therefore reflects the overall return expected to shareholders and lenders against which any debt finance is secured and is therefore considered to be the most appropriate benchmark on which to assess materiality.
Performance materiality	£757,000 (2021: £794,000)
Basis for determining performance materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £18,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds

Materiality in respect of balances included in the Statement of Comprehensive Income was reduced to 5% of profit before tax. Overall materiality applied to this performance statement was calculated at £45,000 with performance materiality calculated at 75% of this at £34,000.

An overview of the scope of our audit

The company has been subject to a full scope audit.

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. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included an assessment of the Company's forecast results and cashflows for a period of at least 12 months from when the financial statements are authorised for issue, the performance achieved with regards to the financial model underpinning the PFI contract and including a challenge of key estimates and assumptions incorporated into forecasts including the financial model.

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.

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 by the company, 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 7, 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's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud for regulated entities, as defined in ISA 250B: having obtained an understanding of the effectiveness of the control environment.

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the audit engagement team included:
FRS 102 and Companies Act 2006	Review of the financial statement disclosures and testing to supporting documentation; Completion of disclosure checklists to identify areas of non-compliance.
Tax compliance regulations	Input from a tax specialist was obtained to assist with a review of the tax computation to identify any significant or material inconsistencies or judgements requiring further investigation; and Review of the external tax computation prepared and review against the balances as reported in the financial statements.
DTR disclosure Guidance and Transparency Rules Sourcebook	Review of the financial statement disclosures with regards to how the Directors have applied the relevant sections of the Sourcebook and included disclosure thereof in the financial statements; and Review of the regulatory filings to identify any areas of non compliance with the Sourcebook highlighted by the Regulator.

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Management override of controls	Testing the appropriateness of journal entries and other adjustments; Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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.

Other matters which we are required to address

We were appointed by the Board of Directors on 9 January 2020 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods.

The period of total uninterrupted consecutive appointment is four years, covering the years ending 31 December 2019 to 31 December 2022.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit..

Our audit opinion is consistent with the additional report to the audit committee in accordance with ISAs (UK).

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.

Andrew Allchin

Andrew Allchin (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Central Square, 5th Floor
29 Wellington Street
Leeds
LS1 4DL

.....

28/04/23

ELLENBROOK DEVELOPMENTS PLC

STATEMENT OF TOTAL COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £000	2021 £000
Turnover	2	6,120	5,342
Administrative expenses		(4,395)	(4,037)
Operating profit		1,725	1,305
Interest receivable and similar income	5	3,094	3,242
Interest payable and similar expenses	6	(3,915)	(3,301)
Profit before taxation		904	1,246
Tax on profit	7	(341)	(1,371)
Profit/(loss) for the financial year		563	(125)
Other comprehensive income		-	-
Tax relating to other comprehensive income		-	-
Total comprehensive income/(expense) for the year		563	(125)

The statement of total comprehensive income has been prepared on the basis that all operations are continuing operations.

The notes on pages 16 to 27 form an integral part of these financial statements.

ELLENBROOK DEVELOPMENTS PLC

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	2022 £000	£000	2021 £000	£000
Current assets					
Debtors falling due after one year	10	39,426		42,577	
Debtors falling due within one year	10	4,053		3,513	
Cash at bank and in hand		10,551		10,904	
Total current assets		54,030		56,994	
Current liabilities					
Creditors: amounts falling due within one year	12	(4,961)		(6,101)	
Net current assets			49,069		50,893
Creditors: amounts falling due after more than one year	13		(40,609)		(42,329)
Provisions for liabilities	14		(3,662)		(3,818)
Net assets			4,798		4,746
Capital and reserves					
Called up share capital	15		50		50
Profit and loss reserves	18		4,748		4,696
Total Equity			4,798		4,746

The financial statements were approved by the board of directors and authorised for issue on 27/04/23 and are signed on its behalf by:

Nadiia Kaznacheieva

.....

N Kaznacheieva
Director

Company Registration No. 04318115

ELLENBROOK DEVELOPMENTS PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital £000	Profit and loss account £000	Total £000
Balance at 1 January 2021		50	4,821	4,871
Year ended 31 December 2021:				
Loss and total comprehensive income for the year		-	(125)	(125)
Balance at 31 December 2021		50	4,696	4,746
Year ended 31 December 2022:				
Profit and total comprehensive income for the year		-	563	563
Dividends	8	-	(511)	(511)
Balance at 31 December 2022		50	4,748	4,798

1 Accounting policies

Company information

Ellenbrook Developments PLC is a public company limited by shares domiciled and incorporated in England and Wales. The registered office is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

A description of the company's activities is disclosed within the Strategic Report.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Service concession arrangements:

The Company has taken advantage of the exemption contained within 35.10(i) of FRS 102 not to apply 34.12I - 34.16A to its PFI service concession arrangement (the finance debtor). Accordingly the service concession arrangement has continued to be accounted for using the same accounting policies that applied at the date of transition to FRS 102. Specifically the finance debtor is accounted for as a financial asset at amortised cost using the effective interest rate method, whereby the asset related unitary charge is allocated between repayment of the finance debtor and finance income at the property specific rate.

Reduced Disclosures

The company's parent undertaking, Ellenbrook Holdings Limited includes the company in its consolidated financial statements. The consolidated financial statements of Ellenbrook Holdings Limited are prepared in accordance with FRS 102 and are available to the public and can be obtained from the company's registered office, see above for the address.

In these financial statements, the company is considered a qualifying entity (for the purpose of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of number of shares outstanding from the beginning to the end of the period;
- Cash flow statement and related notes; and
- Key management personnel compensation.

1.2 Going concern

The Directors have reviewed the Company's projected profits and cash flows by reference to a financial model covering accounting periods up to July 2033. Having examined the current status of the Company's principal contracts and likely developments in the foreseeable future, the Directors consider that the Company will be able to settle its liabilities as they fall due over the next twelve months from the date of signature of the financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

1.3 Turnover

Turnover is recognised in accordance with the service concession arrangement accounting policy. Please see the accounting policy detailed in section 1.7 for further detail. Passthrough revenue relates to conferencing, damages, variations and small works costs which are invoiced to the company by the facilities management ("FM") provider and subsequently invoiced to the University in order to reimburse the company for those costs. Turnover represents value of work done entirely in the United Kingdom and excludes value added tax.

1 Accounting policies **(Continued)**

1.4 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's Statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Trade and other debtors

Trade and other debtors are recognised initially at transaction price.

Finance debtor

The finance debtor is classified as a debt instrument, which is initially recognised at fair value and then stated at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Restricted cash

The company is obligated to keep a separate cash reserve in respect of requirements in the company's funding agreements. This restricted cash balance, which is shown in the Statement of financial position within the "cash at bank and in hand" balance, amounts to £7,419,234 at the year end (2021: £6,746,673).

Other financial assets

Other financial assets are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

1 Accounting policies **(Continued)**

Classification of financial liabilities

Financial liabilities and equity instruments are classified 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 company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, bonds and subordinated loans, are initially recognised at transaction price and subsequently measured at amortised cost, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade and other creditors

Trade and other creditors are recognised initially at transaction price.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.5 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.6 Taxation

Tax on profit or loss for the year comprises of current and deferred tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax

Current tax is the tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax

Deferred tax is provided on timing differences which arise from the inclusion of income and expense in tax assessments in periods different from those in which they are recognised in the Financial Statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the reporting date. Deferred tax balances are not discounted.

1 Accounting policies **(Continued)**

1.7 Finance debtor and Service income

The Company is an operator of a Private Finance Initiative (PFI) contract. The underlying asset is not deemed to be an asset of the Company under FRS102 section 34, because the risks and rewards of ownership as set out in that Standard are deemed to lie principally with the University.

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. During the operational phase income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS102 section 23. The Company recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services. See note 2 for a further breakdown.

Major maintenance costs are recognised on a contractual basis and the revenue in respect of these services is recognised when these services are performed.

1.8 Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amount reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements and estimates have had the most significant effect on amounts recognised in the financial statements.

Accounting for the service concession contract and finance debtor requires an estimation of service margins, finance debtor interest rates and associated amortisation profile which is based on forecasted results of the PFI contract. Lifecycle costs are a significant proportion of future expenditure and they can be volatile in nature which can effect the margin on costs. The critical accounting estimates and judgements have been applied consistently since project inception.

1.9 Interest receivable and Interest payable

Interest payable and similar charges include interest payable on borrowings and associated ongoing financing fees.

Other interest receivable and similar income include interest receivable on funds invested and interest recognised on the finance debtor based upon the finance debtor accounting policy above.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

2 Turnover

An analysis of the company's turnover is as follows:

	2022	2021
	£000	£000
Turnover analysed by class of business		
Service Concession Arrangement	5,814	5,124
Passthrough revenue	306	218
	6,120	5,342

3 Auditor's remuneration

Fees payable to the company's auditor and associates:	2022 £000	2021 £000
For audit services		
Audit of the financial statements of the company	39	31

4 Employees

There were no employees during the year (2021: £nil). The Directors have no contract of services with the Company (2021: £nil).

Director fees payable by the Group and recharged to the Company amounted to £84,035 (2021: £83,300).

5 Interest receivable and similar income

	2022 £000	2021 £000
Interest income		
Interest receivable on finance debtor	3,094	3,242

6 Interest payable and similar expenses

	2022 £000	2021 £000
Interest on financial liabilities measured at amortised cost:		
Bond Indexation	2,071	1,258
Interest on bonds	1,463	1,529
Interest on loan from parent undertaking	363	421
Amortised issue costs	18	93
	3,915	3,301

7 Taxation

	2022 £000	2021 £000
Current tax		
UK corporation tax on profits for the current period	496	-
Deferred tax		
Origination and reversal of timing differences	(155)	1,371
Adjustment in respect of prior year	(1)	-
Total tax charge	341	1,371

7 Taxation (Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2022 £000	2021 £000
Profit before taxation	904	1,246
Expected tax charge based on a corporation tax rate of 19.00%	172	237
Taxable income credited to finance debtor	207	406
Effect of change in deferred tax rate	(37)	728
Prior year adjustment	(1)	-
Tax expense for the year	341	1,371

A change to the main UK corporation tax rate, announced in the Budget on 3 March 2021, was substantively enacted on 24 May 2021. The main UK corporation tax rate was increased from 19% to 25% with effect from 1 April 2023. An additional deferred tax expense (income) of £728,000 was recognised in the prior year as a result of the remeasurement of deferred tax to 25%.

8 Dividends

	2022 £000	2021 £000
Interim dividend paid	511	-
	511	-

9 Financial Instruments

Funding and liquidity

The company is required to hold certain cash deposits in accordance with the Collateral Deed. This follows a standard requirement of this type of financing arrangement.

Short term flexibility is obtained by maintaining current account balances with the company's bankers.

9 Financial Instruments **(Continued)**

Financial assets

The Company held the following categories of financial assets

	2022 £000	2021 £000
Cash at bank	10,551	10,904
Trade debtors	-	-
Accrued income	1,157	1,024
Deferred tax assets	-	-
Other debtors	106	128
Finance debtor	41,997	44,903
Total financial assets	53,811	56,959

Cash at bank includes short term deposits held for not more than six months in reserve accounts made with the company's bankers. Bank interest is receivable periodically at a rate linked to SONIA. The bank deposits are secured under a fixed charge to the security trustee for the senior secured bond. Deposits mature at regular intervals to comply with the requirements to hold reserves and to pay operating and finance costs.

Financial liabilities

The interest rate profile of the financial liabilities of the Company at 31 December 2022 was as follows:

	Interest rate profile	Weighted Average Interest Rate %	Weighted Average period for which rate is fixed	2022 £000	2021 £000
Index linked guaranteed secured bond	Fixed subject to indexation	3.3894 subject to indexation	30 years	41,963	43,883
Subordinated loan due to shareholders	Fixed	13	30 years	2,525	3,291

The company has no undrawn committed facilities as at 31 December 2022 (2021: £nil).

The bond is a held to maturity financial liability and as such it is measured at amortised cost.

Trade creditors and accruals are repayable in less than one year for both 2022 and 2021.

The company's principal financial instrument comprises of an index-linked bond.

The main purpose of these financial instruments is to fund the development of the student Residences and sports and leisure facilities. The terms of the financial instruments also ensure that the profile of the debt service costs is tailored to match expected revenues arising from the Concession Agreement. The company does not undertake financial instrument transactions which are speculative or unrelated to the company's trading activities.

9 Financial Instruments **(Continued)**

Inflation risk

In order to manage the company's exposure to inflation fluctuations the company has issued an index-linked bond to achieve a correlation between inflationary increases in revenue and finance charges.

All other risks are shown within the Strategic Report.

10 Debtors

Amounts falling due within one year:	**2022 £000**	**2021 £000**
Corporation tax recoverable	172	-
Finance debtor	2,571	2,326
Other debtors	106	128
Prepayments and accrued income	1,204	1,059
	4,053	3,513

Amounts falling due after more than one year:	**2022 £000**	**2021 £000**
Finance debtor	39,426	42,577
	39,426	42,577
Total debtors	43,479	46,090

11 Index Linked Bonds

	2022 £000	2021 £000
Unamortised bond issue costs	(560)	(578)
3.3894% Index Linked Guaranteed Secured Bond	42,523	44,461
	41,963	43,883
Payable within one year	3,539	3,962
Payable after one year	38,424	39,921
Amounts included above which fall due after five years:		
Payable by instalments	23,050	24,908
	23,050	24,908

The carrying value of the bond includes indexation to date.

The index-linked guaranteed secured bond was created on 1 February 2002 and £59,965,000 was issued on 6 February 2002 at 100% of nominal value. The bond bears interest at 3.3894% per annum payable in six monthly intervals which, together with the principal repayment, is subject to indexation in accordance with the Bond Trust Deed. This interest rate is not due to be re-priced or mature before the bond is repaid.

The bond is repayable in instalments which commenced on 31 July 2004 and end in July 2032. The bond is listed on the London Stock Exchange.

The bond is secured by first fixed and floating charges over the company's assets and its holding company's respective assets.

12 Creditors: amounts falling due within one year

	Notes	2022 £000	2021 £000
3.3894% Index Linked Guaranteed Secured Bond	11	3,539	3,962
Trade creditors		313	470
Amount due to parent undertaking		340	883
Other taxation and social security		110	106
Accruals and deferred income		659	680
		4,961	6,101

13 Creditors: amounts falling due after more than one year

		2022 £000	2021 £000
3.3894% Index Linked Guaranteed Secured Bond	11	38,424	39,921
Amount due to parent undertaking		2,185	2,408
		40,609	42,329

The amounts due to parent undertaking of £2,525,185 (2021: £3,290,891) is comprised of an unsecured loan of £2,408,357 (2021: £3,125,321) and unpaid interest of £116,828 (2021: £162,570) and relates to funds advanced by Ellenbrook Holdings Limited.

The unsecured loans carry interest at 13% per annum. The unsecured loan is repayable by the 31 January 2033 in line with the Contracts the company has entered into, there is no strict repayment schedule. The Contracts allow the company to pay as much as it is able to in line with the waterfall payments and does not allow prepayment of the loan. The repayment forecast is agreed with the Lender through approval of the financial model updates and is as follows:

	2022 £000	2021 £000
Between one and two years	223	223
Between two and five years	668	668
After five years	1,294	1,517
	2,185	2,408

14 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

Balances:	Liabilities 2022 £000	Liabilities 2021 £000
Accelerated capital allowances	3,662	3,845
Tax losses	-	(27)
	3,662	3,818

Movements in the year:	2022 £000
Liability at 1 January 2022	3,818
Credit to profit or loss	(155)
Liability at 31 December 2022	3,662

14 Deferred taxation **(Continued)**

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so.

The company has tax losses of £nil (2021:£111,000) available for tax relief against future trading profits.

The deferred tax liability at 31 December 2022 has been calculated based on a rate of 25% (2021: 25%) substantively enacted at the reporting date.

There are no unrecognised deferred tax assets or liabilities.

15 Share capital

	2022	2021	2022	2021
Ordinary share capital	**Number**	**Number**	**£000**	**£000**
Issued and fully paid				
Ordinary Shares of £1 each	50,000	50,000	50	50

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

16 Ultimate controlling party

The Company is a wholly owned subsidiary undertaking of Ellenbrook Holdings Limited incorporated in the United Kingdom.

The smallest group in which the Company's results are consolidated is Ellenbrook Holdings Limited. The largest group in which its results are consolidated is DIF Infrastructure Yield 1 Cooperatief U.A, a company incorporated in the Netherlands. Copies of the consolidated accounts of Ellenbrook Holdings Limited are available from 8 White Oak Square, Swanley, Kent, BR8 7AG.

The ultimate parent and controlling entity is DIF Infrastructure Yield I Cooperatief U.A. a company incorporated in the Netherlands. The financial statements of the company are available to the public and may be obtained from Schipol Boulevard 269 Toren D, 10e, 111 8BH, Schiphol, Netherlands.

17 Related party transactions

The amounts due to parent undertaking of £2,525,185 (2021: £3,290,891) is comprised of an unsecured loan of £2,408,357 (2021: £3,128,321) and unpaid interest of £116,828 (2021: £162,570) and relates to funds advanced by Ellenbrook Holdings Limited. The unpaid interest balance at 31 December 2022 was included within accruals and deferred income.

During the year the Company had transactions with DIF Infra Yield 1 UK Limited for Directors fees at a total cost of £84,035 (2021: £83,300).

18 Profit & Loss Reserve

The profit and loss reserve contains the cumulative retained earnings carried forward less distributions to owners.