# INSPIREDSPACES ROCHDALE (PROJECTCO1) LIMITED

## Directors' report and financial statements
**For the year ended 31 December 2011**

**Registered number 7017410**

## Directors' report

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

### Principal activities and business review

The principal activities of the company are the design, redevelopment, financing and operation of schools and associated services under the Government's Building Schools for the Future scheme for a period of twenty-seven years pursuant to and in accordance with the terms of an agreement with the Rochdale Metropolitan Borough Council This agreement together with a loan facilities agreement, a construction contract, a facilities management contract and other related contracts was signed on 11 January 2010 Construction of the school commenced in January 2010 and was completed in September 2011

The profit and loss account is set out on page 7 and relates to the operating activities during the year The directors do not recommend the payment of a dividend (2010 £nil)

The directors consider the performance of the company during the year, the financial position at the end of the year and its prospects for the future to be satisfactory

### Principal risks and uncertainties

The company's principal activity as detailed above is risk averse as its trading relationships with its customer, funders and sub-contractors are determined by the terms of their respective detailed contracts The financial risks and the measures taken to mitigate them are as detailed in the following section

***Credit risk***

The company receives its revenue from a government body and therefore is not exposed to significant credit risk The company draws funding, invests cash and enters into interest rate swap agreements with financial institutions The credit quality of these institutions is reviewed by the directors on a regular basis As such the company's exposure to credit risk is reduced

***Inflation risk***

The company's project revenue and operating costs are linked to inflation at the inception of the project

***Insurance risk***

The company is exposed to the conditions prevailing in the insurance market at each renewal date The directors manage this through close monitoring of the claims record of the project and through employing experienced broking organisations to obtain competitive insurance terms

***Interest rate risk***

The company hedges its interest rate risk at the inception of the project by swapping its variable rate debt into a fixed rate by the use of an interest rate swap

## Directors' report *(continued)*

### Principal risks and uncertainties *(continued)*

*Lifecycle risk*

The company is responsible for lifecycle costs The directors manage this through asset inspection and consequential forecasting of asset replacement costs A cash lifecycle fund will be held by the company to cover future anticipated replacement costs

*Liquidity risk*

The company has adopted a cautious approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet its obligations as they fall due

*Solvency and performance of sub-contractors*

The solvency and performance of key-subcontractors is regularly monitored by the directors

### 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 contract which stipulates the monitoring of the key performance criteria on operational activities detailed in the following section

*Progress of the works*

The company monitors the performance of the works to date by comparing it with the planned schedule agreed at financial close under the design and build scope of the project In respect of the year ended 31 December 2011 the company's performance against this measure was considered to be satisfactory

*Performance of the services*

The client has the ability to levy financial penalties and/or require remedial action in the event that either performance standards are not achieved or accommodation is not available according to the detailed criteria set out in the project agreement In respect of the year ended 31 December 2011 no financial penalties have been levied

*Financial performance*

The company has modelled the anticipated financial outcome of the project across its full term The company monitors actual financial performance against anticipated performance Income and expenditure for the year ended 31 December 2011 which are based on fixed long-term contracts have been in line with the directors' expectations

*Safety performance*

The company is committed to providing a safe environment for its sub-contractors and those impacted by its activities Safety reports are provided at each board meeting These are reviewed by the directors who monitor actual performance against anticipated performance using industry benchmarks Appropriate action is taken where necessary in order to ensure that all matters raised are fully resolved and are compliant with safety regulations

# INSPIREDSPACES ROCHDALE (PROJECTCO1) LIMITED

## Directors' report *(continued)*

### Directors

The directors who served during the period and subsequently were as follows

| | | |
|---|---|---|
| G Farley | Resigned | 14 September 2011 |
| G Hanson | | |
| B Cashin | Resigned | 11 August 2011 |
| P Wakefield | Resigned | 15 December 2011 |
| C Butler | | |
| A Waddington | Appointed | 16 November 2011 |
| I Mason | Appointed | 14 September 2011 |

### Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

### Auditors

Pursuant to section 487 of the Companies Act 2006 the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

This report was approved by the board on 1 June 2012 and signed on its behalf by

I Mason
Director

24 Birch Street
Wolverhampton
West Midlands
WV1 4HY

## INSPIREDSPACES ROCHDALE (PROJECTCO1) LIMITED

### Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 year

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INSPIREDSPACES ROCHDALE (PROJECTCO1) LIMITED**

We have audited the financial statements of Inspiredspaces Rochdale (Projectco1) Limited for the year ended 31 December 2011 set out on pages 7 to 16 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 auditors' 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 Directors' Responsibilities Statement set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express 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 (APB'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 APB's website at www frc org uk/apb/scope/private cfm

**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 profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INSPIREDSPACES ROCHDALE (PROJECTCO1) LIMITED CONT'D

**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

R.J Pound

**R J Pound (Senior Statutory Auditor)**
**For and on behalf of KPMG LLP Statutory Auditor**
Chartered Accountants

7th June **2012**

One Snowhill
Snowhill Queensway
Birmingham
B4 6GH

# INSPIREDSPACES ROCHDALE (PROJECTCO1) LIMITED

## Profit and loss account
*for the year ended 31 December 2011*

| | Note | Year ended 31 December 2011 £000 | 15 months Period ended 31 December 2010 £000 |
|---|---|---|---|
| **Turnover** | 1,2 | **10,665** | 15,352 |
| Other operating charges | | **(9,539)** | (14,452) |
| **Operating profit** | | **1,126** | 900 |
| Net interest payable and similar charges | 4 | **(1,051)** | (900) |
| **Profit on ordinary activities before taxation** | | **75** | - |
| Taxation on profit on ordinary activities | 6 | **(20)** | - |
| **Profit for the financial year/period** | 12 | **55** | - |

The results reported above derive from continuing operations in a single class of business within the United Kingdom

There is no material difference between the profit as disclosed in the profit and loss account above and its historical cost equivalent

There were no recognised gains and losses other than the profit for the current period reported above

# INSPIREDSPACES ROCHDALE (PROJECTCO1) LIMITED

## Balance sheet
*at 31 December 2011*

| | Note | Year Ended 31 December 2011 £000 | Period ended 31 December 2010 £000 |
|---|---|---|---|
| **Current assets** | | | |
| Debtors Amounts falling due within one year | 7 | **1,351** | 444 |
| Debtors Amounts falling after more than one year | 8 | **24,234** | 15,161 |
| Total debtors | | **25,585** | 15,605 |
| Cash at bank | | **3,517** | 161 |
| | | **29,102** | 15,766 |
| **Current liabilities** | | | |
| Creditors Amounts falling due within one year | 9 | **(5,166)** | (1,366) |
| **Net current assets and total assets less current liabilities** | | **23,936** | 14,400 |
| Creditors Amounts falling due after more than one year | 10 | **(23,871)** | (14,390) |
| **Net assets** | | **65** | 10 |
| **Capital and reserves** | | | |
| Called up share capital | 11 | **10** | 10 |
| Profit and loss account | 12 | **55** | - |
| **Equity shareholder's funds** | 13 | **65** | 10 |

These financial statements were approved by the board of directors on 1 June 2012 and were signed on its behalf by

I Mason
Director

Registered number 07017410

## Notes
*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

***Basis of accounting***

The financial statements have been prepared in accordance with applicable Accounting Standards using the historical cost convention

***Going concern***

The financial statements have been prepared on a going concern basis which assumes the company will continue in operational existence for the foreseeable future

The directors have reviewed the group's cash flow forecasts and profit projections The forecasts demonstrate that the group expects to comply with its banking covenants and meet its liabilities as they fall due for the foreseeable future The directors therefore believe it is appropriate for the financial statements to be prepared on a going concern basis

***Turnover and profit on long term Private Finance Initiative contract balances***

Turnover and profit on long term Private Finance Initiative contracts are recognised in accordance with SSAP 9 *Stocks and long term contracts* and FRS 5 Application note F *Private Finance Initiative and Similar Contracts*

During the construction period, the amount of turnover attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty No margin is recognised during the construction phase of the concession contract

Where the project's principal agreements transfer substantially all the risks and rewards of ownership to the customer, amounts recoverable under long term Private Finance Initiative contracts are transferred to a contract debtor Following completion of construction, interest receivable is recognised on the contract debtor using an imputed rate to generate a constant return over the life of the contract Over the course of the contract term, the contract debtor is expected to be fully repaid

During the operational period, unitary charge income is allocated between reimbursement of the contract debtor (including imputed interest receivable) and service revenue Service revenue reflects the income allocated to the services provided as part of the overall project A margin is applied to costs incurred so as to achieve a constant return on the expenditure incurred over the life of the contract This margin is calculated using total income forecast to be receivable over the concession, less all lifecycle and other operating costs forecast to be payable over the concession This margin is reviewed annually by reference to the progress on the contract

***Interest payable and similar charges***

Interest payable on bank borrowings and similar charges during the construction phase are capitalised as part of the contract receivable In the operational phase amounts are charged to the profit and loss account as incurred

# INSPIREDSPACES ROCHDALE (PROJECTCO1) LIMITED

## Notes *(continued)*

### 1 Accounting policies *(continued)*

***Interest receivable and similar income***

Interest receivable and similar income is credited to the profit and loss account as incurred

***Deferred taxation***

The charge for taxation is based on the result for each period and takes into account deferred taxation calculated in accordance with the requirements of FRS 19 Deferred taxation Deferred tax assets or liabilities are calculated on a non-discounted full provision basis in respect of timing differences that are expected to reverse in future periods

***Cash flow statement***

Under FRS 1 (revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that Inspiredspaces Rochdale (Holdings1) Limited, the company's ultimate parent undertaking, includes the company's cash flows in its own published consolidated cash flow statement

***Finance costs***

Financing costs are accounted for in accordance with FRS 4 Capital Instruments and are written off on a straight line basis over the life of the financing to which they relate

The unamortised balance at the end of the year is set against the outstanding liability

***Financial instruments***

The company has entered into certain hedging agreements in respect of interest rates These financial instruments are accounted for at cost

### 2 Turnover

Turnover represents the value of work done and excludes value added tax

The company's sole business is that described in the Directors' Report and all turnover is derived in the United Kingdom

### 3 Auditor's Remuneration

The following auditor's remuneration was incurred during the period

| | **Year ended 31 December 2011 £000** | Period ended 31 December 2010 £000 |
|---|---|---|
| Auditor's remuneration - audit of these financial statements | **8** | 9 |

## Notes *(continued)*

### 4 Net interest payable and similar charges

| | Year ended 31 December 2011 £000 | Period ended 31 December 2010 £000 |
|---|---|---|
| **Interest payable and similar charges** | | |
| Bank borrowings | **1,529** | 562 |
| Other borrowings | **47** | 46 |
| Bank commitment fees | **82** | 242 |
| Amortisation of issue costs | **41** | 50 |
| Net interest payable | **1,699** | 900 |
| **Interest receivable and similar receipts** | | |
| Interest on contract receivable | **(647)** | - |
| Bank interest receivable | **(1)** | - |
| | **1,051** | 900 |

### 5 Staff costs

There were no employees during the year (2010 nil) The directors have no contract of service with the company Amounts payable to third parties in respect of directors' services totalled £nil (2010 £nil)

### 6 Taxation on result on ordinary activities

| | Year ended 31 December 2011 £000 | Year ended 31 December 2010 £000 |
|---|---|---|
| *a) Analysis of tax charge for the year* | | |
| Current tax | | |
| UK corporation tax | **20** | - |
| Adjustment in respect of previous periods | **-** | - |
| Deferred tax | | |
| Timing differences | - | - |
| Adjustment in respect of change in rate of corporation tax | - | - |
| Total tax charge on profit on ordinary activities | **20** | - |

*b) Factors affecting the tax charge for the period*

The UK standard charge of corporation tax is 26 5% (2010 28%) The actual tax rate above is equal to (2010 equal to) the standard rate

INSPIREDSPACES ROCHDALE (PROJECTCO1) LIMITED

## Notes *(continued)*

### 6 Taxation on result on ordinary activities (continued)

*c) Factors that may affect future tax charges*

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014 A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and a further reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012

This will reduce the company's future current tax charge accordingly

It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the company's future current tax charge

### 7 Debtors: Amounts falling due within one year

| | **Year ended 31 December 2011 £000** | Period ended 31 December 2010 £000 |
|---|---|---|
| Contract receivable | **1,023** | 205 |
| Other debtors | **328** | 239 |
| | **1,351** | 444 |

### 8 Debtors: Amounts falling due after more than one year

| | **Year ended 31 December 2011 £000** | Period ended 31 December 2010 £000 |
|---|---|---|
| Contract receivable | **24,234** | 15,147 |
| Prepayments | **-** | 14 |
| | **24,234** | 15,161 |

Included within the contract receivable is £1,960,000, (2010 £900,000) of interest costs

## Notes *(continued)*

### 9 Creditors: Amounts falling due within one year

| | Year ended 31 December 2011 £000 | Period ended 31 December 2010 £000 |
|---|---|---|
| Trade creditors | 98 | 39 |
| Other creditors | 324 | 174 |
| Accruals | 796 | 1,153 |
| Bank borrowings | 3,233 | - |
| Other borrowings (see note 10) | 695 | - |
| Corporation tax | 20 | - |
| | 5,166 | 1,366 |

### 10 Creditors: Amounts falling due after more than one year

| | Year ended 31 December 2011 £000 | Period ended 31 December 2010 £000 |
|---|---|---|
| Bank borrowings | 24,330 | 14,021 |
| Less unamortised issue costs | (459) | (500) |
| | 23,871 | 13,521 |
| Other borrowings | - | 695 |
| Other creditors | - | 174 |
| | 23,871 | 14,390 |
| The bank borrowings are repayable by instalments as follows | | |
| Between one and two years | 521 | 2,986 |
| Between two and five years | 1,725 | 723 |
| Greater than five years | 22,084 | 10,312 |
| | 24,330 | 14,021 |

# Notes *(continued)*

## 10 Creditors: Amounts falling due after more than one year *(continued)*

Bank borrowings relate to term loan facilities granted by the bank on 11 January 2011 The loan facility is for a total value of £27,563,000 comprising of a £24,783,000 term loan facility and a £2,780,000 equity bridge facility As at 31 December 2011 £27,563,000 (2010 £14,021,000) has been drawn comprising £24,783,000 (2010 £11,241,000) term loan and £2,780,000 (2010 £2,780,000) equity bridge loan Loan issue costs in respect of these facilities have been deducted from the gross proceeds of the bank borrowings and are being amortised over the periods of the facilities as part of the finance costs in accordance with the provisions of FRS 4

The term loan is repayable in six-monthly instalments commencing on 31 March 2012 and ending on 29 February 2036 The equity bridge loan is repayable on 31 March 2012 Interest is charged on amounts drawn under the facilities based on floating LIBOR The company has entered into an interest hedging agreement to be applied to the expected future borrowings under the facilities The hedging agreement fixes the interest rate at 4 765% until 29 February 2036 The fair value of this financial instrument at 31 December 2011 was a liability of £6,564,000 (2010 liability £2,718,000)

The facilities are secured, by way of first fixed charge, over all of the assigned rights which the company now has, its present and future interest in the securities and all other stocks, shares, debentures, bonds and other securities, all account monies, all benefits in respect of insurances, all book and other debts and other monies due, its present and future goodwill and its present and future uncalled capital They are also secured by way of a floating charge over the whole of the charged assets being the whole of the property (including uncalled capital) which is or may be from time to time comprised in the property and undertaking of the chargor

The shareholders of the company have advanced £695,000 (2010 £695,000) that is repayable on 31 March 2012 This other loan is unsecured and bears interest at 6 8% per annum

The shareholders of the company's parent undertaking, Inspiredspaces Rochdale (Holdings1) Limited, have committed to subscribe £3,475,000 of Loan Stock no later than 31 March 2012 Inspiredspaces Rochdale (Holdings1) Limited has in turn committed to subscribe £3,475,000 to Inspiredspaces Rochdale (Projectco1) Limited no later than 31 March 2012 These funds will be used to repay the equity bridge facility

## 11 Share Capital

| Share capital | Year ended 31 December 2011 £000 | Period ended 31 December 2010 £000 |
|---|---|---|
| **Authorised** | | |
| 10,000 ordinary shares of £1 each | **10** | 10 |
| **Allotted, called up and fully paid** | | |
| 10,000 ordinary shares of £1 each | **10** | 10 |

## Notes *(continued)*

### 12 Profit and loss account

| | Year ended 31 December 2011 £000 | Period ended 31 December 2010 £000 |
|---|---|---|
| At beginning of year/period | - | - |
| Profit for the financial year/period | 55 | - |
| At end of year/period | 55 | - |

### 13 Reconciliation of movement in equity shareholder's funds

| | Year ended 31 December 2011 £000 | Period ended 31 December 2010 £000 |
|---|---|---|
| At beginning of year/period | 10 | - |
| Share capital issued | - | 10 |
| Result for the financial period | 55 | - |
| At end of period | 65 | 10 |

### 14 Capital commitments

(a) Under the terms of a contract with Carillion Construction Limited dated 11 January 2010, the company was committed at 31 December 2011 to payments totalling £nil (2010 £9,160,000) in respect of design and construction services to be provided in the period to September 2011

(b) Under the terms of a contract with Inspiredspaces Rochdale Limited, the company was committed at 31 December 2011 to payments totalling £4,441,000 (2010 £4,480,000) (index-linked) in respect of management and administration services to be provided in the period to September 2036

### 15 Related party disclosures

Administrative, construction, financial and technical services were provided to the company during the period by companies related to Building Schools for the Future Investments LLP at a cost of £45,000 (2010 £57,000) by companies related to Carillion Private Finance (Education) Limited at a cost of £9,835,000 (2010 £13,404,000) by Inspiredspaces Rochdale Limited at a cost of £322,000 (2010 £1,008,000) and by Rochdale Metropolitan Borough Council at a cost of £nil (2010 £3,000)

As at 31 December 2011 £nil (2010 £4,000) was owed to companies related to Building Schools for the Future Investments LLP, £365,000 (2010 £349,000) to companies related to Carillion Private Finance (Education) Limited, £31,000 (2010 £33,000) to Inspiredspaces Rochdale Limited and £695,000 (2010 £695,000) to Inspiredspaces Rochdale (Holdings1) Ltd

## Notes *(continued)*

### 16 Parent undertakings

The company is a wholly-owned subsidiary of Inspiredspaces Rochdale (Holdings1) Limited, a company incorporated in the United Kingdom

The consolidated financial statements of Inspiredspaces Rochdale (Holdings1) Limited are available to the public and may be obtained from

Companies House
Crown Way
Cardiff
CF14 3UZ