

Inspiredspaces Rochdale (Projectco1) Limited

Directors' report and financial statements

Registered number 7017410

For the year ended 31 December 2016

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Directors report for the year ended 31 December 2016

The Directors present their annual report and the audited financial statements of inspiredspaces Rochdale (Projectcol) Limited the year ended 31 December 2016.

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 Directors consider that both the operating performance and level of business and the year-end financial position were satisfactory.

Key performance indicators (KPIs)

1. Performance deductions under the service contract

Financial penalties are levied by the Authority 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 provider but the quantum is an indication of unsatisfactory performance. In the year ended 31 December 2016 there were £15k deductions relating to post completion works (2015: £10k).

2. Financial performance

The Directors have modelled the anticipated financial outcome of the concession across its full term. The Directors monitor actual performance against this anticipated performance. As at 31 December 2016 the Company's performance against this measure was satisfactory.

Principal risks and uncertainties

The Company has taken on the activity, as detailed above, and is risk averse in its trading relationships with its customers, funders and sub-contractors as determined by the terms of their respective detailed Private Finance Initiative agreement and other contracts. In extreme circumstances, the Company 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 Directors have policies for managing each of these risks and they are summarised below:

Interest rate risk

The bank loan and subordinated debt interest rates have been fixed through use of fixed funding rates, plus a margin. Details of these can be found in note 11.

Directors' report (continued)

Inflation risk

The company's costs are linked to inflation, however this risk is mitigated by the fact that the company project revenue is also inflation linked.

Liquidity risk

The Company adopts a prudent approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet its obligations as they fall due.

Credit risk

The Company receives the majority of its revenue from the Authority and is not exposed to significant credit risk. Cash investments are with institutions of a suitable credit quality.

Results and dividends

The results for the year are shown in the profit and loss account on page 7.

The Company paid a dividend of £nil during the year (2015: £32,000).

Going concern

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. 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 in respect of the year ended 31 December 2016, and in future years, which are based on fixed long term contracts; are in line with the directors' expectations. The company is in a net liability position caused by the swap liability, this is a non cash item and does not affect the cash flows of the company and the liability will be unwound over the life of the project therefore the directors consider the company to be a going concern.

Future developments

The Directors continue to develop the business in line with the contract and there are no issues expected.

Post balance sheet events

There have been no material post balance sheet events which would require disclosure or adjustment to these financial statements.

Directors' report (continued)

Directors

The Directors of the Company who held office during the year and to the date of signing these financial statements are listed below:

I Mason
A Clapp
J McDonagh
J Harris
P Johnstone Appointed 31/03/17

Employees

The company has no employees (2015: None).

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This report was approved by the board on 28th June 2017 and signed on its behalf by:



I Mason

Director

84 Salop Street
Wolverhampton
WV3 0SR

Statement of Directors' responsibilities in respect of the Strategic report, 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), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 the 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 auditor's report to the members of Inspiredspaces Rochdale (Projectco2) Limited

We have audited the financial statements of inspiredspaces Rochdale (Projectco1) Limited for the year ended 31 December 2016 set out on pages 7 to 21. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement 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 an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council'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 31 December 2016 and of its loss 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 year is consistent with the financial statements. Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' report:

- we have not identified material misstatements in that report; and
- in our opinion, that report has been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Inspiredspaces Rochdale (Projectco2) Limited (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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report



Peter Meehan (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

28 June 2017

Profit and Loss account
for the year ended 31 December 2016

	<i>Note</i>	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Turnover	2	4,723	1,485
Other operating charges		(4,451)	(1,200)
Operating profit		<u>272</u>	<u>285</u>
Interest receivable and other income	5	1,641	1,721
Interest payable and similar charges	6	<u>(1,930)</u>	<u>(1,963)</u>
		(289)	(242)
Loss before taxation		<u>(17)</u>	<u>43</u>
Taxation on profit	7	(3)	(9)
Loss after taxation		<u>(20)</u>	<u>34</u>

The notes on pages 11 to 21 form part of these financial statements.

Statement of Other Comprehensive Income
for the year ended 31 December 2016

		2016	2015
	<i>Note</i>	£000	£000
Profit for the financial year		(20)	34
Change in fair value of cash flow hedge	17	(1,609)	732
Income tax relating to other comprehensive income	7	290	(280)
Total comprehensive (loss)/income for the year		<u>(1,339)</u>	<u>486</u>

Balance Sheet
as at 31 December 2016

	<i>Note</i>	As at 31 December 2016 £000	As at 31 December 2015 £000
Current assets			
Debtors: amounts falling due within one year	8	3,346	3,199
Debtors: amounts falling due after more than one year	8	20,626	21,359
Cash at bank		2,834	2,674
		<u>26,806</u>	<u>27,232</u>
Current Liabilities			
Creditors: amounts falling due within one year	9	(1,629)	(1,588)
Other Financial Liabilities	12	(1,036)	(1,070)
Net Current Assets		<u>24,141</u>	<u>24,574</u>
Creditors: amounts falling due after more than one year	10	(23,686)	(24,423)
Other Financial Liabilities	12	(7,262)	(5,619)
Net Liabilities		<u>(6,807)</u>	<u>(5,468)</u>
Capital and reserves			
Called up share capital	14	10	10
Hedging reserve		(6,804)	(5,485)
Profit and loss account		(13)	7
Equity shareholder's deficit		<u>(6,807)</u>	<u>(5,468)</u>

The notes on page 11 to 21 form an integral part of the financial statements.

These financial statements were approved by the board of directors on 28th June 2017 and were signed on its behalf by:

I Mason



Registered number 7017410

Statement of changes in equity

	Called up share capital £000	Hedging reserve £000	Profit and loss account £000	Total Equity £000
Balance at 1 January 2016	10	(5,485)	7	(5,468)
Total comprehensive income for the year				
Loss for the year	-	-	(20)	(20)
Other comprehensive income	-	(1,319)	-	(1,319)
Total comprehensive income for the year	-	(1,319)	(20)	(1,339)
Dividends	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-
Balance at 31 December 2016	<u>10</u>	<u>(6,804)</u>	<u>(13)</u>	<u>(6,807)</u>

	Called up share capital £000	Hedging reserve £000	Profit and loss account £000	Total Equity £000
Balance at 1 January 2015	10	(5,937)	5	(5,922)
Total comprehensive income for the year	-	-	-	-
Profit for the year	-	-	34	34
Other comprehensive income	-	452	-	452
Total comprehensive income for the year	-	452	34	486
Dividends	-	-	(32)	(32)
Total contributions by and distributions to owners	-	-	(32)	(32)
Balance at 31 December 2015	<u>10</u>	<u>(5,485)</u>	<u>7</u>	<u>(5,468)</u>

Notes

(forming part of the financial statements)

1 Accounting policies

inspiredspaces Rochdale (Projectcol) Limited (the “Company”) is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102. The Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”) as issued in August 2014. The amendments to FRS102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling, which is the functional currency of the company. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company’s parent undertaking, inspiredspaces Rochdale (Holdings1) Limited includes the Company in its consolidated financial statements. The consolidated financial statements of the largest group are prepared in accordance with FRS102 and are available to the public and may be obtained from 84 Salop Street, Wolverhampton, WV3 0SR, United Kingdom. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of inspiredspaces Rochdale (Holdings1) Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

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 balance sheet 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.

There are no significant accounting estimates or judgements required in the preparation of these financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except for derivative financial instruments which are held at fair value.

Notes (continued)

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 March 2037. 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 and accordingly the financial statements have been prepared on a going concern basis. The company is in a net liability position caused by the swap liability, this is a non cash item and does not affect the cash flows of the company and the liability will be unwound over the life of the project.

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

1.3 *Basic financial instruments*

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

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, less any impairment losses.

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 future major maintenance costs. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £325,131 at the year end (2015: £214,025).

1.4 *Other financial instruments*

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Notes (continued)

1 Accounting policies (continued)

Cash flow hedges

The Company has entered into an interest rate swap and designated these as hedges for highly probable forecast transaction. The effective part of any gain or loss on the derivative financial instrument is recognised directly in Other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

1.5 Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

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.

Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.6 Finance debtor and service income

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

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. 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.

The company has taken advantage of the exemption contained within 35.10 (i) of FRS 102 not to apply 34.12I-35.16A 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. Major maintenance costs are recognised on a contractual basis and the revenue in respect of these services is recognised when these services are performed.

Notes (continued)

1 Accounting policies (continued)

1.7 Service concession – financial assets

The company is a special purpose entity that has been established to provide services under certain private finance agreements with Rochdale Metropolitan Borough Council (the Authority). Under the terms of these Agreements, the Authority controls the service to be provided by the Company over the contract term. Based on the contractual arrangements the Company has classified the project as a service concession arrangement and has accounted for the principal assets of and income streams from, the project in accordance with FRS 102, section 34.12 Service Concession Arrangement.

1.8 Expenses

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.

1.9 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account 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 is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses 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 balance sheet date. Deferred tax balances are not discounted.

2 Turnover

	2016 £000	2015 £000
Service Income	<u>4,723</u>	<u>1,485</u>

3 Auditor's remuneration

	2016 £000	2015 £000
Audit of these financial statements	<u>10</u>	<u>15</u>

Notes (continued)

4 Staff costs and Directors remuneration

There were no employees during the year (2015: none)

The directors received no remuneration for their services during the year (2015: nil)

5 Other interest receivable and similar income

	2016 £000	2015 £000
Finance debtor interest receivable	1,638	1,716
Bank interest receivable	3	5
Total finance income	<u>1,641</u>	<u>1,721</u>

6 Interest payable and similar charges

	2016 £000	2015 £000
Interest payable on bank loans	1,592	1,625
Bank fees payable	19	15
Other interest payable	319	323
	<u>1,930</u>	<u>1,963</u>

7 Taxation

Recognised in the income statement

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2016 £000	2015 £000
Corporation tax:		
Current tax on income for the period	-	9
Adjustments in respect of previous periods	(3)	-
Total current tax	<u>(3)</u>	<u>9</u>

The total tax (credit)/charge for the year can be reconciled to the profit for the period as follows:

	2016 £000	2015 £000
(Loss)/profit before tax	(17)	43
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015: 20.25%)	(3)	9
Tax (credit)/charge	<u>(3)</u>	<u>9</u>

Notes (continued)

7 Taxation (continued)

Income tax recognised in other comprehensive income

	2016 £000	2015 £000
Deferred tax recognised on revaluation of fair value of derivatives	<u>290</u>	<u>(280)</u>

The UK corporation tax reduced from 21% to 20% with effect from 1 April 2015. Further reductions to 19% (effective from 1 April 2017) and 17% (effective from 1 April 2020) were substantively enacted on 26 October 2015 and 6 September 2016 respectively. This will reduce the company's future tax charge accordingly.

The deferred tax asset as at 31 December 2016 has been calculated on these rates.

8 Debtors

Debtors: amounts falling due within one year

	2016 £000	2015 £000
Prepayment and accrued income	2,325	2,178
Financial Debtor	<u>1,021</u>	<u>1,021</u>
	<u>3,346</u>	<u>3,199</u>

Debtors: amounts falling due after more than one year

	2016 £000's	2015 £000's
Financial Debtor	19,132	20,155
Deferred Tax Asset (see note 13)	<u>1,494</u>	<u>1,204</u>
	<u>20,626</u>	<u>21,359</u>

9 Creditors: amounts falling due within one year

	2016 £000's	2015 £000's
Bank borrowings (see note 11)	707	652
Trade creditors	175	106
Other creditors	474	584
Other borrowings	49	41
Accruals and deferred income	224	205
	<u>1,629</u>	<u>1,588</u>

Notes (continued)

10 Creditors: amounts falling after more than one year

	2016 £000's	2015 £000's
Bank borrowings (see note 11)	21,011	21,699
Other borrowings	2,675	2,724
	<u>23,686</u>	<u>24,423</u>

11 Interest-bearing loans and borrowings

	2016 £000's	2015 £000's
The bank borrowings are repayable by Instalments as follows:		
Within one year (see note 9)	707	652
Between one and two years	701	707
Between two and five years	2,055	1,966
Greater than five years	18,622	19,026
	<u>22,085</u>	<u>22,351</u>

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 2016 £22,085,000 (2015: £22,737,000) has been drawn comprising £22,085,000 (2015: £22,737,000) term loan and £nil (2015: £nil) equity bridge loan.

Terms and debt repayment schedule

	Currency	Nominal Interest Rate	Year of maturity	Repayment schedule	2016 £000	2015 £000
Bank loan	GBP	4.77%	2036	Semi-annual	22,085	22,351
Subordinated debt	GBP	11.55%	2036	Semi-annual	2,737	2,765

The bank loan comprises a Senior Loan facility repayable in semi-annual instalments by February 2036. Interest charged on amounts drawn under the Senior Loan facility is based on the floating LIBOR rate. All amounts drawn under the facilities are secured by fixed and floating charges over the total assets of the Company. The company has entered into an interest hedging agreement which fixes the interest rate at 4.765% until 29 February 2036. The fair value of this financial instrument at 31 December 2016 was a liability of £8,298,000 (2015: liability of £6,689,000).

Notes (continued)

12 Other Financial Liabilities

	2016 £000's	2015 £000's
Amounts falling due within one year		
Financial liabilities designated as fair value through profit or loss	1,036	1,070
Amounts falling due after more than one year	7,262	5,619
Financial liabilities designated as fair value through profit or loss		
	<u>8,298</u>	<u>6,689</u>

The term loan is repayable in six-monthly instalments which commenced on 31 March 2013 and will end on 29 February 2036. Interest is charged on amounts drawn under the facilities based on floating LIBOR. The company has entered into an interest hedging agreement which fixes the interest rate at 4.765% until 29 February 2036. The fair value of this financial instrument at 31 December 2016 was a liability of £8,298,000 (2015: liability of £6,689,000).

Interest rate swaps are valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. The interest rate swap settles on a bi-annual basis. The project will settle the difference between the fixed and floating interest rate on a net basis. Loss of £1,609,000 (2015: gain of 732,000) were recognised in other comprehensive income and gains of £Nil (2015: gains of £Nil) in excess of the fair value of the hedging instruments over the change in the fair value of expected cash flows were recognised in profit or loss. £Nil (2015: £Nil) was reclassified to profit or loss for the period.

13 Deferred tax asset

Deferred tax asset is attributable to the following:

	2016 £000	2015 £000
At the beginning of the year	1,204	1,484
Recognised directly in equity	290	(280)
At end of year	<u>1,494</u>	<u>1,204</u>
	2016 £000	2015 £000
The elements of the deferred tax asset are as follows:		
Deferred tax on revaluation of fair value of derivatives	1,494	1,204
	<u>1,494</u>	<u>1,204</u>

Deferred tax asset is recognised on the revaluation of the swap derivatives on the interest rate swap held by the company.

Reversal of the deferred tax asset is shown through the cash flow hedge reserve

Notes (continued)

14 Capital and reserves

Called up Share Capital

	2016 £000's	2015 £000's
Allotted, called up and fully paid		
10,000 ordinary shares of £1 each	<u>10</u>	<u>10</u>

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.

Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

	2016 £000's	2015 £000's
Cash flow hedging reserve	<u>(6,804)</u>	<u>(5,485)</u>

15 Financial commitments

Under the terms of a contract with Inspiredspaces Rochdale Limited, the company was committed at 31 December 2016 to payments totalling £3,274,000 (2015: £3,511,000) (index-linked) in respect of management and administration services to be provided in the period to September 2036.

16 Related party disclosures

	Expenses incurred for the year ended 31 December 2016	Expenses incurred for the year ended 31 December 2015
Inspiredspaces Rochdale (Holdings1) Limited	319	323
Carillion Services	631	718
Carillion Construction Limited	3,119	-
inspiredspaces Rochdale Limited	<u>276</u>	<u>289</u>
	<u>4,345</u>	<u>1,330</u>
	Payables outstanding 2016	Payables outstanding 2015
Inspiredspaces Rochdale (Holdings1) Limited	2,737	2,779
Carillion Services Limited	68	77
Carillion Construction Limited	108	-
inspiredspaces Rochdale Limited	<u>-</u>	<u>30</u>
	<u>2,913</u>	<u>2,886</u>

The directors are considered to be the only key management personnel. Their remuneration in respect of services provided to the company are disclosed in note 4.

Notes (continued)

17 Financial instruments

(a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2016 £000 Carrying amount	2016 £000 Fair value	2015 £000 Carrying amount
Assets measured at amortised cost			
- Finance Debtor	20,153	20,153	21,176
- Trade and other debtors	2,325	2,325	2,178
	<u>22,478</u>	<u>22,478</u>	<u>22,354</u>
Assets measured at cost less impairment			
- Cash and cash equivalents	2,834	2,834	2,674
	<u>2,834</u>	<u>2,834</u>	<u>2,674</u>
Liabilities measured at amortised cost			
- Trade and other payables	(875)	(875)	(896)
- Bank loan	(21,718)	(16,536)	(22,351)
- Subordinated debt	(2,723)	(2,028)	(2,765)
	<u>(25,316)</u>	<u>(19,439)</u>	<u>(26,012)</u>
Liabilities measured at fair value through profit and loss			
- Interest rate swap	(8,298)	(8,298)	(6,689)

(b) Financial instruments measured at fair value

Derivative financial instruments

The fair value of interest rate swap is based on broker valuations from counter party.

(c) Hedge accounting

The following table indicates the periods in which the cash flows associated with the cash flow hedging instrument are expected to occur as required by FRS102.29(a) for the cash flow hedge accounting models and also the associated cash flow hedging instruments are expected to affect profit and loss:

2016	Carrying Amount £	Within 1 Year £	Between 1 – 2 Years £	Between 2 - 5 Years £	Greater than 5 years £
Interest rate swap	(8,298,000)	(1,036,068)	(1,002,481)	(2,821,207)	(3,438,244)
	<u>(8,298,000)</u>	<u>(1,036,068)</u>	<u>(1,002,481)</u>	<u>(2,821,207)</u>	<u>(3,438,244)</u>
2015	Carrying Amount £	Within 1 Year £	Between 1 – 2 Years £	Between 2 - 5 Years £	Greater than 5 years £
Interest rate swap	(6,689,000)	(1,070,443)	(2,038,549)	(2,821,207)	(758,801)
	<u>(6,689,000)</u>	<u>(1,070,443)</u>	<u>(2,038,549)</u>	<u>(2,821,207)</u>	<u>(758,801)</u>

The Company has entered into an interest rate swap agreement under the bank loan which expires in February 2036. A fixed rate of 4.765% applies to all amounts drawn under the facilities plus the margins shown above. The interest rate swap converts the borrowings from the rates linked to LIBOR to the fixed rate above.

Notes (continued)

18 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Inspiredspaces Rochdale (Holdings1) Limited which is the intermediate parent company incorporated in the United Kingdom.

Inspiredspaces Rochdale (Holdings1) Limited is 90% owned by Dalmore Capital (Rochdale) Ltd and 10% owned by Inspiredspaces Rochdale Ltd.

The largest group in which the results of the Company are consolidated is that headed by Inspiredspaces Rochdale (Holdings1) Limited, incorporated in the United Kingdom. No other group financial statements included the results of the Company. The consolidated financial statements of the largest group are available to the public and may be obtained from 84 Salop Street, Wolverhampton, WV3 0SR, United Kingdom.