Inspiredspaces Wolverhampton (ProjectCo2) Limited

Annual report and financial statements

Registered number 08649413

For the period from the date of incorporation on 14 August 2013 to 31 December 2014

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Strategic report

Principal activities

The principal activities of the company are the design, redevelopment, financing and operation of two schools and associated services under the Government's Building Schools for the Future scheme for a period of twenty six years pursuant to and in accordance with the terms of an agreement with the Wolverhampton Metropolitan Borough Council. This agreement together with a loan facilities agreement, a construction contract, a facilities management contract and other related contracts were signed on 13 January 2014. Construction of the schools commenced in January 2014 and is scheduled to be completed in August 2015.

The income statement is set out on page 8 and relates to the construction activities during the period.
The directors consider the performance of the company during the period, the financial position at the end of the period and its prospects for the future to be satisfactory.

The directors anticipate that the company will continue its present role during 2015.

Dividend

The directors do not recommend the payment of a dividend.

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 risk.

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 has in place loans on which a fixed rate of interest is paid.

Lifecycle risk

The company has contracted out the responsibility for lifecycle costs and these are now at the risk of the sub-contractor. A cash lifecycle fund will be held by the company to cover future anticipated replacement costs and will be utilised in reimbursing the sub-contractor for the profiled costs.

Liquidity risk

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

Strategic report *(continued)*

Solvency and performance of sub-contractors

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

The company's operations are managed under the supervision of its shareholders and funders and are largely determined by the detailed terms of the PFI contract which stipulates 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 building scope of the project. In addition the client has the ability to levy financial penalties and/or require remedial action in the event that defects are not rectified according to detailed criteria set out in the project agreement. The construction of the school is expected to be completed by 31 August 2015. The directors believe progress of the completion works to be satisfactory and that the target completion date should be achieved.

Performance of the services

Once the project is in operation, 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 detailed criteria set out in the project agreement.

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 2014, 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.

By order of the board

G Howard
Director

84 Salop Street
Wolverhampton
WV3 0SR

21 April 2015

Directors' report

The directors present their report and consolidated financial statements for the period from incorporation on 14 August 2013 until 31 December 2014.

The company was incorporated on 14 August 2013 with the issue of 1 ordinary share on 14 August 2013. On 13 January 2014 the share capital was increased from £1 to £10,000 by the issue of 9,999 new ordinary shares of £1 each.

On 18 October 2013 the company changed its accounting reference date to 31 December.

Future Developments

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

Dividends

No interim dividend was declared or paid during the period. No further dividend is recommended.

Political and charitable donations

During the year £nil (2013: £nil) political and £nil (2013: £nil) charitable donations were made by the company.

Post balance sheet events

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

Directors

The directors who held office during the period were as follows:

L Mills	Appointed	14 August 2013	Resigned	10 January 2014
G Howard	Appointed	10 January 2014		
M Trodd	Appointed	10 January 2014		
T Johnson	Appointed	10 January 2014		
D Jones	Appointed	10 January 2014	Resigned	24 January 2014
P Andrews	Appointed	24 January 2014		
C Chapman	Appointed	10 January 2014	Resigned	21 January 2015
T George	Appointed	14 August 2013	Resigned	10 January 2014

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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Directors' report *(continued)*

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

This report was approved by of the board, and signed on its behalf on 21 April 2015 by:

G Howard
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 Strategic report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare company financial statements for each financial period. Under that law they have elected to prepare financial statements in accordance with IFRSs as adopted by the EU 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 company and the profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; 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 Wolverhampton (ProjectCo2) Limited

We have audited the financial statements of Inspiredspaces Wolverhampton (ProjectCo2) Limited for the period from incorporation on 14 August 2013 to 31 December 2014 set out on pages 8 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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 5, 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 2014 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; 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 Strategic report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Inspiredspaces Wolverhampton (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.

James Tracey (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

8 May 2015

Statement of Profit and Loss and Other Comprehensive Income
for the 16 month period ended 31 December 2014

	Note	**Period ended 31 December 2014 £000**
Continuing operations		
Revenue	*2*	27,492
Cost of sales		(26,509)
Operating profit	*3*	983
Finance income	*5*	945
Finance expense	*5*	(861)
Net financing expense		84
Profit before tax		1,067
Taxation	*6*	(229)
Profit for the period	*13*	838
Other comprehensive income		
Income tax on comprehensive income		-
Other comprehensive income for the period, net of income tax		-
Total comprehensive income for the financial period		838

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

The notes on pages 12 to 25 form an integral part of these financial statements.

Statement of Financial Position
at 31 December 2014

	Note	2014 £000
Non current assets		
Other financial assets	7	1,847
		1,847
Current assets		
Trade and other receivables	8	1,261
Other financial assets	7	26,564
Cash and cash equivalents	14	212
		28,037
Total assets		29,884
Current liabilities		
Trade and other payables	9	(3,076)
Bank borrowings	10	(3,884)
Other borrowings	10	(896)
		(7,856)
Non-current liabilities		
Bank borrowings	10	(21,180)
		(21,180)
Total liabilities		(29,036)
Net assets		848
Equity attributable to equity holders		
Ordinary shares	12	10
Retained earnings	13	838
Total equity		848

These financial statements were approved by the board, and were signed on its behalf on 21 April 2015 by:

G Howard
Director
Registered number 08649413

Statement of changes in equity
for the 16 month period ended 31 December 2014

	Note	Share Capital £000	Retained Earnings £000	Total Equity £000
Balance on incorporation		-	-	-
Share capital issued	12	10	-	10
Total comprehensive income for the period	13	-	838	838
Balance at 31 December 2014		10	838	848

Statement of cash flows
for the 16 month period ended 31 December 2014

	Note	**Period ended 31 December 2014 £000**
Cash flows from operating activities		
Profit for the period	13	**838**
Adjustments for:		
Financial income	5	**(945)**
Financial expense	5	**861**
Taxation	6	**229**
		983
Increase in other financial asset		**(28,411)**
Increase in trade and other receivables		**(1,261)**
Increase in trade and other payables		**2,847**
		(25,842)
Interest paid and similar charges		**(784)**
Net cash from operating activities		**(26,626)**
Cash flow from investing activities		
Interest received on bank deposits and finance receivables		**945**
Net cash from investing activities		**945**
Cash flow from financing activities		
Share capital issued	12	**10**
Drawings from loan facilities net of issue costs		**25,883**
Net cash inflow from financing activities		**25,893**
Net increase in cash and cash equivalents		**212**
Cash and cash equivalents on incorporation		**-**
Cash and cash equivalents at 31 December 2014		**212**

Notes

(forming part of the financial statements)

1 Accounting policies

Inspiredspaces Wolverhampton (ProjectCo2) Limited (the "company") is a company incorporated and domiciled in the UK.

The company's financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The financial statements are presented in pounds sterling which is the company's functional currency.

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

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

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

Non-derivative financial assets

The company initially recognises loans and receivables and deposits on the date that they originated.

The company derecognises a financial asset when the contractual rights to the cashflows from the asset expire, or it transfers the rights to receive contractual cashflows on a financial asset in a transaction in which substantially all the risks and reward or ownership or the financial asset are transferred.

Financial assets and liabilities are offset an the net amounts presented in the balance sheet when and only when the company has a legal right to offset the amount and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured 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. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Notes *(continued)*

1 Accounting policies *(continued)*

Non-derivative financial liabilities

The company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through the profit or loss) are recognised initially on the trade date, which is the date the company becomes party to the contractual provision of the instrument.

The company derecognises the liability when its contractual obligations are discharged, cancelled or expire. The company classifies non-derivative financial liabilities into the other liabilities category. Such financial liabilities are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Impairment excluding inventories, and deferred tax assets

Financial assets (including receivables)

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

Revenue

Services revenue (in accordance with IFRIC 12) represents revenues from the provision of construction services to Private Finance Initiative ("PFI") projects calculated as the fair value of services provided. A margin is recognized on the service provided which is reimbursed to the company along with the value of construction over the duration of the concession by the grantor through payment of a unitary charge in line with the Project Agreement of 13 January 2014.

Service concessions

In accordance with IFRIC 12 and the various provisions of adopted IFRSs, the company has determined the appropriate treatment of the principal assets of, and income streams from PFI and similar contracts. Results of all service concessions which fall within the scope of IFRIC 12 conform to the following policies depending on the rights to consideration under the service concessions.

Notes *(continued)*

1 Accounting policies *(continued)*

Service concessions treated as financial assets

The company recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction or upgrade services provided. Such financial assets are measured at fair value upon initial recognition. Subsequent to initial recognition, the financial assets are held at amortised cost.

Revenue is recognised by allocating a proportion of total cash receivable to construction income and service income. The consideration received will be allocated by reference to the relative fair value of the services delivered, when the amounts are separately identifiable.

During the construction phase, revenue is recognised at cost, plus attributable profit to the extent that this is reasonably certain, in accordance with IAS 11. Costs for this purpose include valuation of all work done by subcontractors whether certified or not, and all overheads other than those relating to the general administration of the relevant companies.

During the operational stage, cash received in respect of the service concessions is allocated to service and maintenance revenue based on its fair value, with the remainder being allocated between capital repayment and interest income using the effective interest method.

The finance receivables are held as loan or receivable in accordance with IAS 39: 'Financial instruments: Recognition and measurement'. Finance receivables are recognised initially at fair value. Subsequent to initial recognition, finance receivables are measured at amortised cost using the effective interest method less any impairment losses.

Expenses

Financing income and expenses

Financing expenses comprise of interest payable. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprises interest receivable on funds invested and interest receivable on the financial asset.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

Taxation

The company has entered into a composite trade agreement with HMRC whereby corporation tax is charged on accounting profits using tax rates enacted or substantially enacted at the balance sheet dates.

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to those taxes levied by the same tax authority as the same taxable

Notes *(continued)*

1 Accounting policies *(continued)*

entity or a different tax entity but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Determination of fair values

A number of the company's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following method:

Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, but including service concession receivables, is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes or when acquired in a business combination.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Accounting estimates and judgements

There are no other estimates and judgements which have a material impact on the financial statements.

New IFRS standards and interpretations adopted during 2014

In 2014 the following amendments had been endorsed by the EU, became effective and therefore were adopted by the Company:

- Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014)
- Annual Improvement Projects to IFRS's. The Annual Improvement Project to IFRS's provides a vehicle for making non-urgent but necessary amendments to IFRS's. Amendments to a number of standards have been adopted.

The adoption of these standards and amendments has not had a material impact on the Company's financial statements.

New IFRS standards, amendments and interpretations not adopted

The IASB and IFRIC have issued additional standards and amendments which are effective for periods starting after the date of these financial statements. The following standards and amendments have not yet been adopted by the Company:

- IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018)
- Annual Improvements to IFRSs – 2011-2013 Cycle. The Annual Improvement Project to IFRS's provides a vehicle for making non-urgent but necessary amendments to IFRS's (effective for annual periods beginning on or after 1 February 2015)

Notes *(continued)*

1 Accounting policies *(continued)*

- Annual Improvements to IFRSs – 2012-2014 Cycle. The Annual Improvement Project to IFRS's provides a vehicle for making non-urgent but necessary amendments to IFRS's (effective for annual periods beginning on or after 1 January 2016)
- Disclosure Initiative – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2016)
- IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2017)

The Company has considered the impact of these new standards and interpretations in future periods on profit and net assets. None of the above standards or interpretations are expected to have a material impact.

2 Revenue

	Period ended 31 December 2014 £000
Rendering of construction services	27,492
Total revenue	27,492

3 Expenses and auditor's remuneration

Auditor's remuneration:

	Period ended 31 December 2014 £000
Fees payable to the company's auditor for the audit of the company's annual accounts	10
	10

4 Staff numbers and costs

There were no employees during the period. The directors have no contract of service with the company. Amounts payable to third parties in respect of directors' services were £19,000.

Notes *(continued)*

5 Finance income and expense

	Period ended 31 December 2014 £000
Finance income	
Interest income on the financial asset	944
Other interest receivable	1
Total finance income	945
Finance expense	
Interest expense on financial liabilities measured at amortised cost	(861)
Total finance expense	(861)

6 Taxation

Recognised in the income statement

	Period ended 31 December 2014 £000
Corporation tax:	
Current period	229
	229

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

	Period ended 31 December 2014 £000
Profit before tax	1,067
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.50%	(229)
Tax charge	(229)

Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly.

Notes *(continued)*

7 Other financial assets

	2014 £000
Current Assets	
PFI Financial Asset	1,847
	1,847
Non current Assets	
PFI Financial Asset	26,564
	26,564

8 Trade and other receivables

	2014 £000
Other receivables	493
Prepayments	768
	1,261
Analysed	
Non-current	-
Current	1,261
	1,261

9 Trade and other payables

	2014 £000
Trade payables	2
Corporation tax	229
Accruals	2,845
	3,076
Analysed	
Non-current	-
Current	3,076
	3,076

Notes *(continued)*

10 Other interest bearing loans and borrowings

Bank borrowings relate to term loan facilities granted during the period. The loan facilities available to the company and level of utilisation at the balance sheet date are:

	Facility £000	Amount utilised £000	Carrying value 2014 £000
Term loan facility	45,873	22,478	21,443
Equity bridge loan facility	3,621	3,621	3,621
Debt service reserve facility	985	-	-
	50,479	26,099	25,064
Analysed			
Current			3,884
Non-current			21,180
			25,064

Loan issue costs in respect of these facilities have been deducted from gross proceeds of the bank borrowings and are being amortised using the effective interest rate method.

The term loan facility is repayable in unequal quarterly instalments commencing on 30 September 2015 and ending on 30 September 2039.

The equity bridge facility is repayable on 30 November 2015.

Interest on the term loan and equity bridge loan is charged at a fixed rate of 5.34%.

	Facility £000	Amount utilised £000	Carrying value 2014 £000
Other borrowings	905	905	896
	905	905	896
Analysed:			
Current			896
Non-current			-
			896

Notes *(continued)*

10 Borrowings *(continued)*

Other borrowings comprise a loan of £896,000 advanced by Inspiredspaces Wolverhampton (Holdings2) Limited. Loan issue costs in respect of the loan have been deducted from gross proceeds of the borrowings and are being amortised using the effective interest rate method. The loan is repayable in one instalment on 30 November 2015. This loan which is unsecured bears interest at a fixed rate of 5.34%.

The shareholders of the company's parent undertaking, Inspiredspaces Wolverhampton (Holdings2) Limited, have committed to subscribe £4,527,000 of loan stock no later than 30 November 2015. In turn Inspiredspaces Wolverhampton (Holdings2) Limited has committed to subscribe £4,527,000 of loan stock to Inspiredspaces Wolverhampton (Projectco2) Limited on or before 30 November 2015. These funds will be used to repay other borrowings and the equity bridge facility.

11 Capital commitments

(a) Under the terms of a contract with Carillion Construction Limited dated 13 January 2014, the company was committed at 31 December 2014 to payments totalling £18,218,000 in respect of design and construction services to be provided over the period up to 31 March 2017.

(b) Under the terms of a contract with Inspiredspaces Wolverhampton Limited dated 13 January 2014, the company was committed at 31 December 2014 to payments totalling £4,625,700 (index-linked) in respect of management and administration services to be provided over the period up to 30 September 2040.

12 Ordinary Shares

	2014
	£000
Allotted, called up and fully paid	
On incorporation	-
Issue of share capital	10
At end of period	10

The company was incorporated on 14 August 2013 with the issue of 1 ordinary share of £1. On 10 January 2014 the share capital was increased from £1 to £10,000 by the issue of 9,999 new ordinary shares of £1 each

13 Retained earnings

	2014
	£000
On incorporation	-
Profit for the financial period	838
At end of period	838

Notes *(continued)*

14 Financial instruments

14 (a) Fair values of financial instruments

Trade and other receivables

The fair value of trade and other receivables, excluding construction contract debtors, is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

Interest-bearing borrowings

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date, if the effect is material.

Fair values

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the balance sheet are as follows:

	2014 £000 Carrying amount	2014 £000 Fair Value
Financial assets		
Other financial assets	**28,411**	**28,411**
Loans and receivables		
Cash and cash equivalents	212	212
Trade and other receivables (note 8)	1,261	1,261
Total loans and receivables	1,473	1,473
Total financial assets	29,884	29,884

Notes *(continued)*

14 (a) Fair values of financial instruments (continued)

	2014 £000 Carrying amount	2014 £000 Fair value
Financial liabilities measured at amortised cost		
Interest bearing loans	25,960	26,805
Trade and other payables (note 9)	3,076	3,076
Total financial liabilities measured at amortised cost	29,036	29,881
Total financial liabilities	29,036	29,881
Financial instruments	848	3

Fair value hierarchy

The paragraphs below analyses financial instruments measured at fair value, into a fair value hierarchy based on the valuation technique used to determine fair value.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The company does not have any financial instruments that are measured by any other technique other than at Level 2.

14 (b) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers and investment securities.

The company receives its revenue from a government body and therefore is not exposed to significant risk.

Notes (continued)

14 Financial instruments *(continued)*

14 (b) Credit risk (continued)

The maximum exposure to credit risk for trade receivables and other financial assets at the balance sheet geographic region was:

	2014 £000
United Kingdom	28,411
	28,411

The maximum exposure to credit risk for trade receivables and other financial assets at the balance sheet date by type of counterparty was:

	2014 £000
Government backed institutions- Wolverhampton Metropolitan Borough Council	28,411
	28,411

Credit quality of financial assets and impairment losses

The ageing of trade and other receivables at the balance sheet date was:

	2014 £000
Government backed institutions- Wolverhampton Metropolitan Borough Council	
Not past due	28,411
	28,411

14 (c) Liquidity risk

Financial risk management

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. 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.

Notes (continued)

14 Financial instruments *(continued)*

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

2014	Carrying Amount	Contractual Cash Flows	Less than 3 months	3 to 12 months	1 to 5 Years	More than 5 years
Non-derivative Financial Liabilities	£000	£000	£000	£000	£000	£000
Term loan	21,443	39,771	333	733	7,060	31,645
Equity bridge loan	3,621	4,748	60	121	4,567	-
Other unsecured loans	896	950	12	938	-	-
Trade & other payables	3,076	3,076	2,847	229	-	-
	29,036	48,545	3,252	2,021	11,627	31,645

14 (d) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the company's income or the value of its holdings of financial instruments

Market risk – Interest rate risk

Profile

At the balance sheet date the interest rate profile of the company's interest-bearing financial instruments was

	2014
	£000
Fixed rate instruments	
Financial assets	28,411
Financial liabilities	(25,960)
	2,451

Sensitivity analysis

A sensitivity analysis has not been performed on the basis that the majority of interest rates are fixed rates and the company is not exposed to foreign exchange risk.

Notes (continued)

14 Financial instruments *(continued)*

14(e) Capital management

The company manages its cash, bank loan and other overdrafts and equity as capital. The company's principal objective is that the company has sufficient capital to fund its operations. In developing business plans, the directors consider the likely capital requirements and how fund them. Additional capital is funded by the least cost source at the time of fund raising.

15 Related parties

Related party transactions

	Purchase of goods and services for the period ended 31 December 2014 £000
Building Schools for the Futures Investments Limited	36
Carillion Construction Limited	23,782
Carillion Private Finance (Education) 2012	2,081
Inspiredspaces Wolverhampton Limited	407
Wolverhampton Metropolitan Borough Council	27
	26,333

	Payables outstanding 2014 £000
Carillion Construction Limited	2,124
Inspiredspaces Wolverhampton Limited	-
Wolverhampton Metropolitan Borough Council	27
	2,151

16 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Inspiredspaces Wolverhampton (Projectco2) Limited which is the intermediate parent company incorporated in the United Kingdom.

The largest group in which the results of the Company are consolidated is that headed by Inspiredspaces Wolverhampton (Projectco2) Limited, incorporated in the United Kingdom. No other group financial statements include 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.