

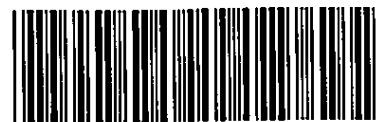
**INSPIREDSPACES NOTTINGHAM (PROJECTCO1)
LIMITED**

Directors' report and financial statements

For the period from incorporation on 18 February 2008 to 31 December 2008

Registered number 6506336

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INSPIREDSPACES NOTTINGHAM (PROJECTCO1) LIMITED

Directors' report

The directors present their report and the financial statements for the period from incorporation on 18 February 2008 to 31 December 2008.

The company was incorporated with share capital of 100 £1 ordinary shares. The share capital was increased by a further 9,900 £1 ordinary shares during the year. On 31 March 2008 the company changed its accounting reference date to 31 December.

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 six years pursuant to and in accordance with the terms of an agreement with the Nottingham City Council. This agreement together with a loan facilities agreement, a construction contract, a facilities management contract and other related contracts was signed on 13 June 2008. Construction of the schools commenced in June 2008 and is due for completion in September 2010.

The profit and loss account is set out on page 7 and relates to the operating activities during the period. The directors do not recommend the payment of a dividend.

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 risk. The company invests cash and enters into interest swap agreements with financial institutions. The credit quality of these institutions is reviewed by the directors on a regular basis. As a result of the current financial conditions the institutions are substantially owned by the UK Government. As such the company's exposure to credit risk is reduced.

Inflation risk

The company's project revenue, operating and lifecycle 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.

INSPIREDSAPCES NOTTINGHAM (PROJECTCO1) LIMITED

Directors' report (*continued*)

Principal risks and uncertainties (*continued*)

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. As such the company's exposure to interest rate risk is reduced.

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 prudent 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 period ended 31 December 2008 the company's performance against this measure was considered to be satisfactory.

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 period ended 31 December 2008 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.

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During the period ended 31 December 2008 the safety performance of the subsidiary's sub-contractors was considered satisfactory.

Directors' report (*continued*)

Directors

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

A J Bell	(appointed 1 April 2008)
B M Cashin	(appointed 11 July 2008)
J R Chester	(appointed 1 April 2008, resigned 17 June 2009)
G Farley	(appointed 1 April 2008)
T E Render	(appointed 1 April 2008)
M J Fowkes	(appointed 1 April 2008, resigned 5 June 2008)
T F George	(appointed 18 February 2008, resigned 1 April 2008)
D B Lindsay	(appointed 1 April 2008, resigned 11 July 2008)
L J Mills	(appointed 18 February 2008, resigned 1 April 2008)
G E Hanson	(appointed 17 June 2009)

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

On incorporation KPMG LLP were appointed to fill the casual vacancy.

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 26/8/09 and signed on its behalf by:



T E Render Director

24 Birch Street
Wolverhampton
West Midlands
WV1 4HY

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

The financial statements are required by law to 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 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 proper accounting records that 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 1985. 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.



KPMG LLP

2 Cornwall Street
Birmingham
B3 2DL
United Kingdom

Independent auditors' report to the members of Inspiredspaces Nottingham (Projectco1) Limited

We have audited the financial statements of Inspiredspaces Nottingham (Projectco1) Limited for the period ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Independent auditors' report to the members of Inspiredspaces Nottingham
(Projectco1) Limited *(continued)***

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

14/9/09

KPMG LLP
Chartered Accountants
Registered Auditor

INSPIREDSPACES NOTTINGHAM (PROJECTCO1) LIMITED

Profit and loss account

for the period from 18 February 2008 to 31 December 2008

	Notes	Period ended 31 December 2008 £000
Turnover	2	18,268
Other operating charges		(18,268)
Operating result	3	<u>-</u>
Net interest payable	4	(359)
Loss on ordinary activities before taxation		<u>(359)</u>
Taxation on loss on ordinary activities	6	101
Loss on ordinary activities after taxation and for the financial year	12	<u><u>(258)</u></u>

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 result as disclosed in the profit and loss account above and its historical cost equivalent.

There were no recognised gains and losses other than the result for the period reported above.

INSPIREDSPACES NOTTINGHAM (PROJECTCO1) LIMITED

Balance sheet at 31 December 2008

	Notes	2008 £000
Current assets		
Debtors: Amounts falling due within one year	7	867
Debtors: Amounts falling after more than one year	8	18,401
Total debtors		19,268
Cash at bank		405
		<u>19,673</u>
Current liabilities		
Creditors: Amounts falling due within one year	9	(1,971)
Net current assets and total assets less current liabilities		<u>17,702</u>
Creditors: Amounts falling due after more than one year	10	(17,950)
Net assets		<u>(248)</u>
Capital and reserves		
Called up share capital	11	10
Profit and loss account	12	(258)
Equity shareholder's deficit	13	<u>(248)</u>

These financial statements were approved by the board of directors on 26/8/09 and were signed on its behalf by:



T E Render Director

INSPIREDSPACES NOTTINGHAM (PROJECTCO1) LIMITED

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 the going concern basis which assumes that the company will continue in operational existence for the foreseeable future.

The accounts show a loss on ordinary activities before tax for the period of £359,000 and an equity shareholder's deficit of £248,000. The losses arise from interest costs. Interest costs are expected to decline over the course of the concession as the loans are repaid thereby improving the profitability of the company.

The directors have reviewed the company's working capital forecasts and profit projections. The forecasts demonstrate that the company expects to comply with its banking covenants in the future. The directors therefore believe it is appropriate for the financial statements to be prepared on a going concern basis.

Contract receivable

In accordance with Financial Reporting Standard (FRS) 5 Application Note F the costs incurred in construction have been treated as a contract receivable. This treatment arises from applying the guidance within the Application Note which indicates that the project's principal agreements transfer substantially all the risks and rewards of ownership to the customer.

Increases in the contract receivable represent the costs arising on construction including initial tender costs and borrowing costs.

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 Nottingham (Holdings1) Limited, the company's ultimate parent undertaking, includes the company's cash flows in its own published consolidated cash flow statement.

INSPIREDSAPES NOTTINGHAM (PROJECTCO1) LIMITED

Notes (continued)

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 balance at the end of the period is set against the outstanding liability.

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 Operating result

The following costs were incurred during the period and have been capitalised as part of the contract receivable.

	Period ended 31 December 2008 £000
Auditor's remuneration - audit of these financial statements	<u>9</u>

4 Net interest payable

	Period ended 31 December 2008 £000
Interest payable and similar charges	
Bank borrowings	348
Other borrowings	8
Amortisation of issue costs	<u>3</u>
	359
Interest receivable and similar income	
Bank interest receivable	-
Net interest payable	<u>359</u>

5 Staff costs and directors remuneration

There were no employees during the period. The directors have no contract of service with the company.

INSPIREDSPACES NOTTINGHAM (PROJECTCO1) LIMITED

Notes (continued)

6 Taxation on loss on ordinary activities

	Period ended 31 December 2008 £000
<i>a) Analysis of tax credit for the year</i>	
Current tax	
UK corporation tax	-
Deferred Tax (see note 8)	
Timing differences	(101)
Taxation on loss on ordinary activities	(101)

b) Factors affecting the tax credit for the year

The tax credit assessed on the loss on ordinary activities is in line with the standard rate of corporation tax in the UK as explained below.

	Period ended 31 December 2008 £000
Loss on ordinary activities before tax	(359)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.5%	101

c) Factors affecting the tax charges in future years

The company has tax losses of approximately £359,000 available for tax relief against future trading profits

7 Debtors: Amounts falling due within one year

	2008 £000
Other debtors	867

INSPIRESPACES NOTTINGHAM (PROJECTCO1) LIMITED

Notes (continued)

8 Debtors: Amounts falling due after more than one year

	2008 £000
Contract receivable	18,299
Deferred Tax (see note 11)	101
Prepayments	1
	<u>18,401</u>

9 Creditors: Amounts falling due within one year

	2008 £000
Trade creditors	1,942
Accruals	29
	<u>1,971</u>

10 Creditors: Amounts falling due after more than one year

	2008 £000
Bank borrowings	17,088
Less: unamortised issue costs	(255)
	<u>16,833</u>
Other borrowings	642
Other creditors	476
	<u>17,951</u>
The bank borrowings are repayable as follows:	
Between one and two years	2,567
Between two and five years	1,006
Greater than five years	13,515
	<u>17,088</u>

Bank borrowings relate to term loan facilities granted by the bank on 13 June 2008. The loan facility is for a total value of £41,327,000 comprising £37,119,000 term loan facility, £3,208,000 equity bridge facility and £1,000,000 debt service reserve facility. As at 31 December 2008 £17,088,000 has been drawn comprising £14,521,000 term loan and £2,567,000 equity bridge loan and £nil debt service reserve facility. 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 2011 and ending on 28 February 2034. The equity bridge loan is repayable on 30 September 2010. Interest is charged on amounts drawn under the facilities based on floating LIBOR. The company has entered into interest hedging agreements to be applied to the expected future borrowings under the facilities. The hedging agreement fixes the interest rate at 5.445% until

INSPIREDSPACES NOTTINGHAM (PROJECTCO1) LIMITED

Notes (continued)

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

28 February 2034. The fair value of these financial instruments at 31 December 2008 was a liability of £8,700,000.

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's parent company, Inspiredspaces Nottingham (Holdings) Limited, have committed to subscribe £2,567,000 of Loan Stock no later than 30 September 2010.

Other borrowings comprise a loan from Building Schools for the Future Investments LLP of £321,000 which is repayable on 30 September 2010, and a loan from Nottingham City Council of £321,000 which is also repayable on 30 September 2010. Interest on both loans is charged at 5.92% per annum

11 Deferred Tax Asset

	2008 £000
At the beginning of the period	-
Credit to the profit & loss account	101
	<u>101</u>
	2008 £000
the elements of the deferred tax asset are as follows	£000
Trading losses	<u>101</u>

Deferred tax assets are provided in compliance with FRS 19 and it is expected that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

12. Share capital

	2008 £000
Authorised	
10,000 ordinary shares of £1 each	<u>10</u>
Allotted, called up and fully paid	
10,000 ordinary shares of £1 each	<u>10</u>

INSPIREDSPACES NOTTINGHAM (PROJECTCO1) LIMITED

Notes (continued)

12. Share capital (continued)

On incorporation, the entire authorised share capital of the company comprised of 100 ordinary shares of £1 each. By special resolution, this was increased by a further 9,900 £1 ordinary shares on 31 March 2008. On 11 June 2008, these shares were subscribed and fully paid for by the current shareholders. On the same date, the initial shareholder transferred his share to Inspiredspaces Nottingham (Holdings1) Limited.

13 Profit and loss account

	Period ended 31 December 2008 £000
At beginning of year	-
Loss for the financial year	(258)
At end of year	<u>(258)</u>

14 Reconciliation of movement in equity shareholder's deficit

	2008 £000
On incorporation	-
Share capital issued during the year	10
Loss for the financial year	(258)
At end of year	<u>(248)</u>

15 Capital commitments

(a) Under the terms of a contract with Carillion Construction Limited dated 13 June 2008, the company was committed at 31 December 2008 to payments totalling £19,428,000 in respect of design and construction services to be provided in the period to September 2010.

(b) Under the terms of a contract with Inspiredspaces Nottingham Limited, the company was committed at 31 December 2008 to payments totalling £5,659,000 (index-linked) in respect of management and administration services to be provided in the period to September 2034.

16 Related party disclosures

In addition to the contracted commitments set out in note 14 above, administrative, construction, financial and technical services were provided to the company during the period by companies related to Carillion Private Finance (Education) Limited at a cost of £17,874,000.

As at 31 December 2008 £1,899,000 was owed to companies related to Carillion Private Finance (Education) Limited.

INSPIREDSPACES NOTTINGHAM (PROJECTCO1) LIMITED

Notes (*continued*)

17 Parent undertakings

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

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

Companies House
Crown Way
Cardiff
CF14 3UZ