

INSPIREDSPACES DURHAM LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



INSPIREDSAPES DURHAM LIMITED

COMPANY INFORMATION

Directors	KJ Edwards GE Hanson JR Reed DC Ward AJ White K Savjani (appointed 20 November 2020)
Registered number	06844166 (England & Wales)
Registered office	3 More London Riverside London SE1 2AQ
Independent auditors	KPMG LLP Chartered Accountants & Statutory Auditor One Snowhill Snow Hill Queensway Birmingham B4 6GH

INSPIREDSPACES DURHAM LIMITED

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INSPIRESPACES DURHAM LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Directors' responsibilities statement

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 applicable law and Section 1A of FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

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 judgments and estimates that are reasonable and prudent;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

Directors

The directors who served during the year were:

KJ Edwards
KL Flaherty (resigned 20 November 2020)
GE Hanson
JR Reed
DC Ward
AJ White

Qualifying third party indemnity provisions

The Company has made qualifying third-party indemnity provisions for the benefit of its directors, which were made during the year and remain in force at the date of this report.

INSPIREDSPACES DURHAM LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Going concern

As set out in note 2.2, the financial statements have been prepared on a going concern basis.

The Company's ability to meet its debts as they fall due is principally dependent on the performance of its interests in the underlying Projects. In reaching this conclusion, the Directors have reviewed the cash flow forecasts of the Projects covering a period of at least 12 months from the date of approval of these financial statements.

In making their assessment the Directors have also considered the potential impact of the emergence and spread of COVID-19;

The Company and the Projects continue to provide the services in accordance with the contract. The operating cash inflows are largely dependent on amounts receivable from the local authority and the Directors expect these amounts to be received even in a downside scenario.

The Directors have also assessed and satisfied themselves the viability of main sub-contractors and have reviewed their contingency plans. In the unlikely event of a subcontractor failure, the Company has its own business continuity plans to ensure that service provision will continue.

In summary, the Directors believe that the Company has sufficient funding in place and expect the project to be in compliance with its debt covenants even in downside scenarios.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements.

Given the above, at the time of approving the financial statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements of the Company.

Auditors

Persuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

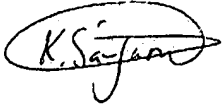
Small companies exemptions

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

INSPIREDSPACES DURHAM LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

This report was approved by the board and signed on its behalf.

A handwritten signature in black ink, appearing to read 'K. Savjani', enclosed within a hand-drawn oval.

K Savjani
Director

Date: 17 December 2020

INSPIREDSPACES DURHAM LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INSPIREDSPACES DURHAM LIMITED

Opinion

We have audited the financial statements of Inspiredspaces Durham Limited ("the Company") for the year ended 31 December 2019, which comprise the Income Statement, Balance Sheet and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards applicable to smaller entities, including Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

INSPIREDSAPES DURHAM LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INSPIREDSAPES DURHAM LIMITED

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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 prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a strategic report

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on Page 1, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

INSPIREDSPACES DURHAM LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INSPIREDSPACES DURHAM LIMITED

The purpose of our audit work and to whom we owe our responsibilities

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.



**James Tracey (Senior Statutory Auditor)
for and on behalf of
KPMG LLP, Statutory Auditor**

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

17 December 2020

INSPIREDSPACES DURHAM LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £000	2018 £000
Turnover		251	356
Cost of sales		(242)	(293)
Gross profit		9	63
Administrative expenses	3	(38)	(51)
Operating (loss)/profit		(29)	12
Income from participating interests		285	-
Interest receivable and similar income		53	59
Interest payable and similar expenses		(53)	(59)
Profit before tax		256	12
Taxation		6	-
Profit for the financial year		262	12

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2019 (2018: £NIL).

The notes on pages 9 to 15 form part of these financial statements.

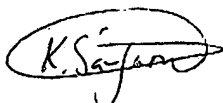
INSPIREDSAPCES DURHAM LIMITED
REGISTERED NUMBER: 06844166

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Fixed assets			
Investments	6	1	1
Current assets			
Debtors: amounts falling due after more than one year	7	452	476
Debtors: amounts falling due within one year	7	32	73
Cash at bank and in hand		82	139
		<u>566</u>	<u>688</u>
Creditors: amounts falling due within one year	8	(97)	(187)
Net current assets		<u>469</u>	<u>501</u>
Total assets less current liabilities		<u>470</u>	<u>502</u>
Creditors: amounts falling due after more than one year		(452)	(461)
Net assets		<u><u>18</u></u>	<u><u>41</u></u>
Capital and reserves			
Called up share capital		10	10
Profit and loss account		8	31
		<u><u>18</u></u>	<u><u>41</u></u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



K Savjani
Director

Date: 17 December 2020

The notes on pages 9 to 15 form part of these financial statements.

INSPIREDSAPES DURHAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. General information

inspiredspaces Durham Limited (the "Company") is a company limited by shares and registered in England and Wales. The registered number is 06844166 and the registered address is 3 More London Riverside, London, SE1 2AQ.

The principal activity of the company was management of schools construction projects.

All amounts in the financial statements have been rounded to the nearest £1,000 unless stated otherwise.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied:

2.2 Going concern

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

The company has historically existed to deliver the various services that are the subject of the Strategic Partnering Agreement, this agreement expired during August 2019, which includes the delivery of education infrastructure, ICT services and facilities management services to Durham City Council. In addition, the Company is responsible for the management of the Durham BSF PFI scheme. The Company also holds an investment in those PFI scheme, the "Project".

The Company's ability to meet its debts as they fall due is principally dependent on the performance of Company's interest in the Project. The Directors have reviewed the cash flow forecasts of the Project covering a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Project will have sufficient funds to meet its liabilities as they fall due for that period. Those forecasts are dependent on the underlying customer continuing to meet its obligations under the Project Agreement which are underwritten by Durham City Council.

In making this assessment the Directors have considered the potential impact of the emergence and spread of COVID-19.

Both the Company's and the Project's operating cash inflows are largely dependent on amount receivable from the local authority and the Directors expect these amounts to be received even in reasonably possible downside scenarios.

The Company and the Project continue to provide the services in accordance with the contract and is available to be used. As a result, the Directors do not believe there is any likelihood of a material impact to the unitary payment.

The Directors have assessed the viability of the Company's and the Project's main sub-contractors and have reviewed their contingency plans. The Company Directors are satisfied in their ability to provide the services in line with the contract without significant additional costs to the project, even in downside scenarios, due to the underlying contractual terms. To date, there has been no adverse impact on the services provided by the Project or its sub-contractors arising from COVID-19.

INSPIREDSPACES DURHAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.2 Going concern (continued)

However, in the unlikely event of a subcontractor failure, the Company has its own business continuity plans to ensure that service provision will continue.

The Directors believe the Company has sufficient funding in place and expect the project to be in compliance with its debt covenants even in downside scenarios.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements.

Given the above, at the time of approving the financial statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements of the Company.

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

2.4 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

2.5 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

INSPIREDSAPCES DURHAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.6 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.7 Valuation of investments

Investments in participating interests are measured at cost less accumulated impairment.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

INSPIREDSPACES DURHAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.11 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

2.12 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

3. Auditors' remuneration - audit of these financial statements

Fees payable to the Company's auditor for the audit of the Company's annual financial statements totalled £7,000 (2018 - £7,000).

4. Employees

The average monthly number of employees, during the year was 0 (2018 - 0).

The directors have no contract of service with the Company (2018: no contract of service). Amounts paid to third parties in respect of directors' services were £Nil (2018: £Nil).

5. Dividends

	2019 £000	2018 £000
Dividends paid on ordinary shares	285	-

INSPIREDSPACES DURHAM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

6. Fixed asset investments

	Investments in participating interests £000
Cost or valuation	
At 1 January 2019	1
At 31 December 2019	<u>1</u>

Participating interests

Investments in participating interests represent 10% holdings in the equity share capital of inspiredspaces Durham (Holdings1) Limited registered in England. The principal activities of that company are the design, build and operation of schools in the Durham area.

7. Debtors

	2019 £000	2018 £000
Due after more than one year		
Due from participating interests	<u>452</u>	<u>476</u>
Due within one year		
Trade debtors	-	55
Due from participating interests	15	15
Other debtors	17	3
	<u>32</u>	<u>73</u>

INSPIREDSAPCES DURHAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

8. Creditors: Amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	5	4
Amounts owed to group undertakings	15	15
Corporation tax	-	31
Other creditors	29	8
Accruals and deferred income	48	129
	<u>97</u>	<u>187</u>

9. Creditors: Amounts falling due after more than one year

	2019 £000	2018 £000
Amounts owed to group undertakings	<u>452</u>	<u>461</u>

Included in creditors (notes 8 and 9) were unsecured loans from shareholders (in proportion to their shareholdings) as follows;

£467,371 repayable in 6 monthly installments, the final repayment falling due on 30 September 2034. Interest is charged at 11.3% and interest payable for the year was £53,187.

10. Related party transactions

During the year revenue included £242,325 (2018 - £177,601) in respect of construction, ICT and administration services, provided to Durham County Council, a related party by virtue of its interest in the Company. As at 31 December 2019, £nil (2018 - £54,931) was owed by Durham County Council.

During the year the Company incurred charges from related parties as follows;

Interest of £5,000 (2018 £6,000) and £6,642 (2018 - £3,350) in respect of construction, ICT and administration services, provided by Durham County Council, a related party by virtue of its interest in the Company. As at 31 December 2019, £nil (2018 - £4,826) was owed to Durham County Council.

Interest of £5,000 (2018 £6,000) and £6,642 (2018 - £323,435) in respect of construction, ICT and administration services provided by BSFi, a related party by virtue of its interest in the Company. As at 31 December 2019, £nil (2018 - £23,197) was owed to BSFi.

Interest payable of £42,000 (2018 - £47,000) to Inspiredspaces Durham (PSP1) Limited, a related party by virtue of its interest in the company. At 31 December 2019, £nil (2018 £38,000) was owed to Inspiredspaces Durham (PSP1) Limited.

INSPIREDSPACES DURHAM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

11. Controlling party

As at 31 December 2019, 80% of the issued share capital of the Company was held by inspiredspaces Durham (PSP1) Limited, 10% by Durham County Council and 10% by Building Schools for the Future Investments LLP. Under the terms of a shareholders' agreement, no individual shareholder is able to control or exert significant influence over the company and therefore, in the directors' opinion, there is no ultimate party.