REGISTERED NUMBER: 08113900 (England and Wales)

Group Strategic Report, Directors' Report and

Consolidated Financial Statements for the Year Ended 31 December 2018

for

Inspiredspaces Rochdale (Holdings2) Limited

Inspiredspaces Rochdale (Holdings2) Limited (Registered number: 08113900)

Contents of the Consolidated Financial Statements for the Year Ended 31 December 2018

Inspiredspaces Rochdale (Holdings2) Limited

Company Information for the Year Ended 31 December 2018

Directors:	Keith Joseph Edwards Peter Kenneth Johnstone David Wilcock Matthew Templeton
Secretary:	Ailison Mitchell
Registered office:	3rd Floor 3 - 5 Charlotte Street Manchester M1 4HB
Registered number:	08113900 (England and Wales)
Independent auditor:	KPMG LLP Chartered Accountants One Snowhill Snow Hill Queensway Birmingham B4 6GH

Group Strategic Report for the Year Ended 31 December 2018

The directors present the strategic report of the group for the year ended 31 December 2018.

Principal activities

The principal activity of the company is that of a holding company with a single subsidiary, Inspiredspaces Rochdale (ProjectCo2) Limited.

The principle activities of the subsidiary 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 Rochdale 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 3 August 2012. Construction of the schools commenced in August 2012 and was completed in December 2013.

Business review and future developments

On 15 January 2018, Carillion made an announcement that a number of corporate entities within the Group would be entered into liquidation.

The Official Receiver was appointed to those companies and several individuals from PwC were appointed Special Managers to act on the companies' behalf.

Following the liquidation of Carillion Construction Limited trading as Carillion Private Finance, Albany SPC Services Ltd were appointed under a Management Services Agreement to provide services for Inspiredspaces Rochdale (Holdings2) Ltd on 1st February 2018.

On 26th Feb 18 Engie Services Limited were appointed as the interim service provider following the liquidation of Carillion. All staff were re-employed by Engie under their existing terms and conditions. Interim processes have been implemented until the new systems are mobilised. A permanent facilities management agreement is still under negotiation at the date of this report and is expected to be broadly in line with the previous agreement.

Going concern

Notwithstanding net current liabilities of £29,750,000, the financial statements are prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The Group meets its day to day working capital requirements through a loan facility with an external lender.

On 15 January 2018 the parent company of the Facilities Management Contractor ("FM Contractor") and Facilities Management Contractor Guarantor ("FM Contractor Guarantor"), Carillion Plc entered into compulsory liquidation. This resulted in the project entering default, as the liquidation of the FM Contractor and FM Contractor Guarantor is a defaulting event under the Facilities Agreement with Aviva Public Private Finance Limited. The event of default has resulted in the loan facility being presented as a current liability in these financial statements.

The directors have taken action to resolve the position of default and are seeking to procure a new FM Contractor and a revised FM Contractor Guarantee. A remedial plan has been submitted to the Lender in accordance with the Facilities Agreement. In addition, the latest financial model forecasts an Event of Default in respect of its Annual Debt Service Cover Ratio ("ADSCR") covenant at September 2019.

The directors are of the opinion that the Group and Company can continue to provide its contractual obligation in relation to facilities management services under the Project Agreement. The Group and Company continue to trade and, as at the date of signing these financial statements, the Unitary Charge continues to be paid. The directors are in regular and continuing discussions with the Lenders who are aware of the situation, the proposed mitigation and remain supportive of the project. The directors are not aware of any indication that the Lenders will not approve the revised services contract guarantee or that they intend to call in the balances owed to them. However, the directors acknowledge that there can be no certainty that the revised services contract guarantee will be approved by the Lender or that they will not call in the loan owed to them.

Going concern - continued
The Group and Company have re-forecast the project's financial model following the liquidation of Carillion plc. The model indicates that sufficient funding is expected to be available for the Group and Company to settle their liabilities in the normal course of business, assuming that the lenders do not call in the loan balance owed to them.

Based on the above, the directors believe it remains appropriate to prepare the financial statements on the going concern basis. However there remains a material uncertainty as the ability of the Group and Company to continue as a going concern is dependent on the Lender not calling in the loan currently owed to it. This material uncertainty may cast significant doubt over the Group's and Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. These financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Principal risks and uncertainties
The subsidiary'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 subsidiary receives its revenue from a United Kingdom government body and therefore is not exposed to significant risk.

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

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. In addition, there is a contractual mechanism whereby costs or savings are shared with the Council.

Interest rate risk
The subsidiary has in place loans on which a fixed rate of interest is paid.

Lifecycle risk
The subsidiary has responsibility for lifecycle costs and takes the risk that its projections for ongoing lifecycle costs are adequate. These projections have been agreed with third parties and are subject to regular review by the directors. A cash lifecycle fund is 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 Group has re-forecast the project's financial model following the liquidation of Carillion plc. The model indicates that sufficient funding is expected to be available for the Group to settle its liabilities in the normal course of business, assuming that the lenders do not call in the loan balance owed to them.

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

The Group's operations are managed under the supervision of its shareholders and funders and are largely determined by the detailed terms of the Private Finance Initiative (PFI) contract which stipulates the monitoring of the key performance criteria on operational activities detailed in the following section.

On 15 January 2018 the parent company of the FM Contractor and FM Contractor Guarantor, Carillion Plc entered into compulsory liquidation. This resulted in the project entering technical default, as the liquidation of the FM Contractor and FM Contractor Guarantor is a defaulting event under the Facilities Agreement with Aviva Public Private Finance Limited.

Inspiredspaces Rochdale (Holdings2) Limited (Registered number: 08113900)

Group Strategic Report for the Year Ended 31 December 2018

Key performance indicators

Progress of the operations

The company monitors the operational performance by comparing it with the operational financial model. In respect of the year ended 31 December 2018 the company's operational performance against this measure was considered to be satisfactory.

Performance of the services

The client has the ability to levy financial penalties and/or require remedial action in the event that either performance standards are not achieved or accommodation is not available according to the detailed criteria set out in the project agreement. In respect of the year ended 31 December 2018 financial penalties have been levied; but these are considered manageable, and have been recovered from the facilities management and construction contractors.

Financial performance

The directors are of the opinion that the Group and Company can continue to provide their contractual obligation in relation to facilities management services under the Project Agreement. The Group and Company continue to trade normally and, as at the date of signing these financial statements, the Unitary Charge continues to be paid. The directors are in regular and continuing discussions with the Lenders who are aware of the situation, the proposed mitigation and remain supportive of the project. The directors are not aware of any indication that the Lenders will not approve the revised services contract guarantee or that they intend to call in the balances owed to them. However, the directors acknowledge that there can be no certainty that the revised services contract guarantee will be approved by the Lender or that they will not call in the loan owed to them.

The Group and Company have re-forecast the project's financial model following the liquidation of Carillion plc. The model indicates that sufficient funding is expected to be available for the Group and Company to settle their liabilities in the normal course of business, assuming that the lenders do not call in the loan balance owed to them.

Safety performance

The subsidiary 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.

On behalf of the board:

Peter Johnstone

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Peter Kenneth Johnstone - Director

Date: 17 September 2019

Inspiredspaces Rochdale (Holdings2) Limited (Registered number: 08113900)

Directors' Report for the Year Ended 31 December 2018

The directors present their report with the audited financial statements of the group for the year ended 31 December 2018.

Dividends
The directors proposed and an interim dividend of £nil was paid (2017: £56,000).

Directors
The directors during the year under review were:

Sandra Ann Bowness	- appointed 5.2.18 - resigned 22.10.18
Andrew David Clapp	- resigned 18.7.18
Keith Joseph Edwards	
Mark Andrew Harding	- resigned 25.10.18
Peter Kenneth Johnstone	
Ian Anthony Mason	- resigned 22.1.18
David Wilcock	- appointed 5.2.18
Matthew Templeton	- appointed 7.11.18

The directors holding office at 31 December 2018 did not hold any beneficial interest in the issued share capital of the company at 1 January 2018 (or date of appointment if later) or 31 December 2018.

No appointments or resignations of directors occurred between the year end and the date of approval of these financial statements.

Financial performance
The consolidated income statement is set out on page 10 and relates to the operating activities during the year.

Financial risk management
The group has exposures to a number to a variety of financial risks which are managed with the purpose of minimising any adverse effect on the group's performance and these are summarised in the Strategic report. The group also reviews the performance of its sub-contractors on a monthly basis and takes action if the performance levels fall below the required standard.

Statement as to disclosure of information to auditor
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditor is aware of that information.

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

On behalf of the board:

Peter Johnstone

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Peter Kenneth Johnstone - Director

Date: 17 September 2019

Statement of Directors' Responsibilities for the Year Ended 31 December 2018

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 group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the group and parent 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 group or the parent 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 group and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Inspiredspaces Rochdale (Holdings2) Limited

Opinion

We have audited the financial statements of Inspiredspaces Rochdale (Holdings2) Limited ("the company") for the year ended 31 December 2018 which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows 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 group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;

- The group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);

- The parent company financial statements have been properly prepared in accordance with Union IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and

- The financial statements 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 group 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.

Material uncertainty related to going concern

We draw attention to note 2 to the financial statements which indicates that the Group and Parent Company's ability to continue as a going concern is dependent on the Company's lender not calling in the loan currently owed to it.

These events and conditions, along with the other matters described in note 2, constitute a material uncertainty that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Strategic report and directors' report

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

Our responsibility is to read the strategic report and 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 strategic report and the directors' report;

- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

- in our opinion those reports have 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, 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 group and parent 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 group or the parent 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.

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

Date: 23 September 2019

Inspiredspaces Rochdale (Holdings2) Limited (Registered number: 08113900)

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Continuing operations			
Revenue	3	**2,610**	2,230
Cost of sales		**(1,802)**	(1,507)
Gross profit		**808**	723
Administrative expenses		**(530)**	(516)
Operating profit		**278**	207
Finance costs	5	**(1,817)**	(1,846)
Finance income	5	**1,621**	1,680
Profit before tax	6	**82**	41
Tax	7	**(16)**	(8)
Profit for the year		**66**	33
Other comprehensive income		**-**	-
Total comprehensive income for the year		**66**	33
Profit attributable to:			
Owners of the parent		**66**	33
Total comprehensive income attributable to:			
Owners of the parent		**66**	33

The notes form part of these financial statements

Inspiredspaces Rochdale (Holdings2) Limited (Registered number: 08113900)

Consolidated Statement of Financial Position
31 December 2018

	Notes	2018 £'000	2017 £'000
Assets			
Non-current assets			
Investments	10	-	-
Trade and other receivables	11	33,427	34,228
		33,427	34,228
Current assets			
Trade and other receivables	11	1,630	1,784
Cash and cash equivalents	12	1,304	944
		2,934	2,728
Total assets		36,361	36,956
Equity			
Shareholders' equity			
Called up share capital	13	10	10
Retained earnings	14	76	10
Total equity		86	20
Liabilities			
Non-current liabilities			
Financial liabilities - borrowings			
Interest bearing loans and borrowings	16	3,591	34,821
Current liabilities			
Trade and other payables	15	1,601	852
Financial liabilities - borrowings			
Interest bearing loans and borrowings	16	31,067	1,255
Tax payable		16	8
		32,684	2,115
Total liabilities		36,275	36,936
Total equity and liabilities		36,361	36,956

The financial statements were approved by the Board of Directors on 17 September 2019 and were signed on its behalf by:

Pete Johnstone

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Peter Kenneth Johnstone - Director

The notes form part of these financial statements

Inspiredspaces Rochdale (Holdings2) Limited (Registered number: 08113900)

Company Statement of Financial Position
31 December 2018

	Notes	2018 £'000	2017 £'000
Assets			
Non-current assets			
Investments	10	**10**	10
Trade and other receivables	11	**3,591**	3,605
		3,601	3,615
Current assets			
Trade and other receivables	11	**95**	81
Total assets		**3,696**	3,696
Equity			
Shareholders' equity			
Called up share capital	13	**10**	10
Total equity		**10**	10
Liabilities			
Non-current liabilities			
Trade and other payables	15	**3,591**	3,605
Current liabilities			
Trade and other payables	15	**95**	81
Total liabilities		**3,686**	3,686
Total equity and liabilities		**3,696**	3,696

The financial statements were approved by the Board of Directors on 17 September 2019 and were signed on its behalf by:

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Peter Kenneth Johnstone - Director

The notes form part of these financial statements

Inspiredspaces Rochdale (Holdings2) Limited (Registered number: 08113900)

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2018

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2017	10	33	43
Changes in equity			
Dividends	-	(56)	(56)
Total comprehensive income	-	33	33
Balance at 31 December 2017	10	10	20
Changes in equity			
Total comprehensive income	-	66	66
Balance at 31 December 2018	10	76	86

The notes form part of these financial statements

Inspiredspaces Rochdale (Holdings2) Limited (Registered number: 08113900)

Company Statement of Changes in Equity for the Year Ended 31 December 2018

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2017	10	-	10
Changes in equity			
Dividends	-	(56)	(56)
Total comprehensive income	-	56	56
Balance at 31 December 2017	10	-	10
Changes in equity			
Balance at 31 December 2018	10	-	10

The notes form part of these financial statements

Inspiredspaces Rochdale (Holdings2) Limited (Registered number: 08113900)

Consolidated Statement of Cash Flows for the Year Ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities			
Cash generated from operations	20	1,385	(152)
Interest paid		(1,689)	(1,826)
Decrease in other financial assets		503	1,314
Tax paid		(8)	(8)
Net cash from operating activities		191	(672)
Cash flows from investing activities			
Interest received		1,621	1,680
Net cash from investing activities		1,621	1,680
Cash flows from financing activities			
Loan repayments in year		(1,452)	(1,174)
Equity dividends paid		-	(56)
Net cash from financing activities		(1,452)	(1,230)
Increase/(decrease) in cash and cash equivalents		360	(222)
Cash and cash equivalents at beginning of year	21	944	1,166
Cash and cash equivalents at end of year	21	1,304	944

The notes form part of these financial statements

1. **Statutory information**

Inspiredspaces Rochdale (Holdings2) Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

2. **Accounting policies**

Basis of preparation
The group and parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU. The group and parent company financial statements have been properly prepared in accordance with the provisions of the Companies Act 2006.

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

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
Notwithstanding net current liabilities of £29,750,000, the financial statements are prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The Group meets its day to day working capital requirements through a loan facility with an external lender.

On 15 January 2018 the parent company of the Facilities Management Contractor ("FM Contractor") and Facilities Management Contractor Guarantor ("FM Contractor Guarantor"), Carillion Plc entered into compulsory liquidation. This resulted in the project entering default, as the liquidation of the FM Contractor and FM Contractor Guarantor is a defaulting event under the Facilities Agreement with Aviva Public Private Finance Limited. The event of default has resulted in the loan facility being presented as a current liability in these financial statements.

The directors have taken action to resolve the position of default and are seeking to procure a new FM Contractor and a revised FM Contractor Guarantee. A remedial plan has been submitted to the Lender in accordance with the Facilities Agreement. In addition, the latest financial model forecasts an Event of Default in respect of its Annual Debt Service Cover Ratio ("ADSCR") covenant at September 2019.

The directors are of the opinion that the Group and Company can continue to provide its contractual obligation in relation to facilities management services under the Project Agreement. The Group and Company continue to trade and, as at the date of signing these financial statements, the Unitary Charge continues to be paid. The directors are in regular and continuing discussions with the Lenders who are aware of the situation, the proposed mitigation and remain supportive of the project. The directors are not aware of any indication that the Lenders will not approve the revised services contract guarantee or that they intend to call in the balances owed to them. However, the directors acknowledge that there can be no certainty that the revised services contract guarantee will be approved by the Lender or that they will not call in the loan owed to them.

The Group and Company have re-forecast the project's financial model following the liquidation of Carillion plc. The model indicates that sufficient funding is expected to be available for the Group and Company to settle their liabilities in the normal course of business, assuming that the lenders do not call in the loan balance owed to them.

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Based on the above, the directors believe it remains appropriate to prepare the financial statements on the going concern basis. However there remains a material uncertainty as the ability of the Group and Company to continue as a going concern is dependent on the Lender not calling in the loan currently owed to it. This material uncertainty may cast significant doubt over the Group's and Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. These financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Basis of consolidation
The financial statements of the Group include the consolidation of its subsidiaries. Subsidiaries are entities controlled by either parent entity. Control exists where either parent entity is exposed, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. A parent entity has power over the subsidiary, when it has existing rights to direct the relevant activities of the subsidiary. The relevant activities are those which significantly affect the subsidiary's returns. The ability to approve the operating and capital budget of a subsidiary and the ability to appoint key management personnel are decisions that demonstrate that the Group has the existing rights to direct the relevant activities of a subsidiary. Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases. Where the Group's interest is less than 100 per cent, the interest attributable to outside shareholders is reflected in non-controlling interests. The effects of all transactions between entities within the Group have been eliminated.

Investments
Investments in subsidiaries are carried at cost less any impairment in the parent company accounts.

Judgements and key sources of estimation uncertainty
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amount reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Management consider that key judgement involves management's forecast of future lifecycle costs which impacts the calculation of the service margin being applied.

Impairment

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.

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2. **Accounting policies - continued**

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 group 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 3 August 2012.

Service concessions
In accordance with IFRIC 12 and the various provisions of adopted IFRSs, the group 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.

Service concessions treated as financial assets
The group 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.

Non-derivative financial assets
The group initially recognises loans and receivables and deposits on the date that they originated.

The group 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 and the net amounts presented in the balance sheet, when and only, 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.

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2. **Accounting policies - continued**

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 group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Non-derivative financial liabilities
The group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date the company becomes party to the contractual provision of the instrument.

The group derecognises the liability when its contractual obligations are discharged, cancelled or expire. The group 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.

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

Tax on the profit or loss for the year 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 year, 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 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.

continued...

2. **Accounting policies - continued**

Expenses

Financing income and expenses
Financing expenses comprise 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.

Determination of fair values
A number of the group's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities.

New IFRS standards and interpretations adopted during 2018

- IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018)

- IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018)

None of these have had a material impact on the financial statements in the current period.

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 16 Leases (effective for annual periods beginning on or after 1 January 2019)

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.

3. **Revenue**

	2018	2017
	£'000	£'000
Rendering of FM services	**2,610**	2,230
	2,610	2,230

4. **Employees and directors**

There were no employees during the year (2017: none). The directors have no contract of services with the group. Amounts payable to third parties in respect of directors' services were £30,000 (2017: £13,000).

continued...

5. **Net finance costs**

	2018 £'000	2017 £'000
Finance income:		
Deposit account interest	4	-
Finance debtor interest	1,617	1,680
	1,621	1,680
Finance costs:		
Bank loan interest	1,378	1,426
Loan stock interest	439	420
	1,817	1,846
Net finance costs	196	166

6. **Profit before tax**

The profit before tax is stated after charging:

Auditor's remuneration

	2018 £'000	2017 £'000
Audit of these financial statements borne and paid by subsidiary	1	1
Fees payable to the company's auditor for the audit of the subsidiary's annual accounts	13	11
	14	12

7. **Tax**

Analysis of tax expense

	2018 £'000	2017 £'000
Current tax:		
Tax	16	8
Total tax expense in consolidated statement of profit or loss and other comprehensive income	16	8

continued...

7. **Tax - continued**

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

	2018 £'000	2017 £'000
Profit before tax	**82**	41
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	**16**	8
	16	8

Factors that may affect future tax charges
A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. An additional reduction to 17% (effective 1 April 2020) were substantively enacted on 6 September 2016. This will reduce the company's future current tax change accordingly.

8. **Profit of parent company**

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements.

9. **Dividends**

	2018 £'000	2017 £'000
Ordinary shares of £1 each		
Interim	-	56

10. **Investments**

The company has the following investment in a subsidiary:

	2018 Company £'000	2017 Company £'000
Investment in subsidiary at the start and end of the year	**10**	10
	10	10

Investments in subsidiary undertakings represent a holding of 100% of the ordinary share capital of Inspiredspaces Rochdale (Projectco2) Limited, registered address of 3rd Floor, 3 - 5 Charlotte Street, Manchester, M1 4HB, with an investment made of £10,000. The company is incorporated in Great Britain and its sole purpose in the design, build operation, servicing and maintenance of two schools in Rochdale.

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11. Trade and other receivables

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Current:				
Trade debtors	99	455	-	-
Finance debtor	1,392	1,286	-	-
Amounts owed by group undertakings	-	-	95	81
Other debtors	-	2	-	-
Prepayments	139	41	-	-
	1,630	1,784	95	81
Non-current:				
Amounts owed by group undertakings	-	-	3,591	3,605
Other debtors	-	192	-	-
Finance debtor	33,427	34,036	-	-
	33,427	34,228	3,591	3,605
Aggregate amounts	35,057	36,012	3,686	3,686

12. Cash and cash equivalents

	Group 2018 £'000	Group 2017 £'000
Bank accounts	1,304	944

13. Called up share capital

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2018 £	2017 £
10,000	Ordinary	£1	10,000	10,000

continued...

14. Reserves

Group

	Retained earnings £'000
At 1 January 2018	**10**
Profit for the year	**66**
Dividends	**-**
At 31 December 2018	**76**

Company

	Retained earnings £'000
At 1 January 2018	-
Profit for the year	-
Dividends	-
At 31 December 2018	-

15. Trade and other payables

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Current:				
Trade creditors	**35**	-	**-**	-
Amounts owed to group undertakings	**-**	-	**95**	81
Other creditors	**10**	9	**-**	-
Accrued expenses	**1,386**	675	**-**	-
VAT	**170**	168	**-**	-
	1,601	852	**95**	81
Non-current:				
Amounts owed to group undertakings	**-**	-	**3,591**	3,605
	-	-	**3,591**	3,605
Aggregate amounts	**1,601**	852	**3,686**	3,686

continued...

16. **Financial liabilities - borrowings**

Bank borrowings relate to term loan facilities granted by Aviva Public Finance Limited. The loan facilities available to the group and level of utilisation at the balance sheet date are:

	Facility £'000	**Amount utilised 2018 £'000**	**Carrying Value 2018 £'000**	Amount Utilised 2017 £'000	Carrying Value 2017 £'000
Term loan facility	**37,472**	**37,472**	**30,971**	37,472	32,390
	37,472	**37,472**	**30,971**	37,472	32,390
Analysed:					
Current			**30,971**		1,174
Non-current			**-**		31,216
			30,971		32,390

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 on 31 March 2014 and ending on 31 March 2038. All amounts drawn under the facility are secured by fixed and floating charges over the total assets of the Group. As explained in Note 1, due to the existence of an event of default due to the liquidation of the FM guarantor and FM contractor guarantor as at 31 December 2018, the bank loan is presented as a current liability.

Interest on the term loan is charged at a fixed rate of 4.17%.

	Facility £'000	**Amount utilised 2018 £'000**	**Carrying Value 2018 £'000**	Amount Utilised 2017 £'000	Carrying Value 2017 £'000
Amounts owed to group undertakings	**4,154**	**4,154**	**3,686**	4,154	3,686
	4,154	**4,154**	**3,686**	4,154	3,686
Analysed:					
Current			**95**		81
Non-current			**3,591**		3,605
			3,686		3,686

Other borrowings comprise an unsecured loan held by the parent company of £3,317,000 from various funds within Dalmore Capital LLP and £369,000 from Inspiredspaces Rochdale 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. Interest on the group borrowings is charged at a fixed rate of 11%.

The group's shareholders subscribed to £4,154,000 of Loan Stock on 28 March 2014, in proportion to their shareholdings.

continued...

16. Financial liabilities - borrowings - continued

Financial commitments
Under the terms of a contract with Inspiredspaces Rochdale Limited dated 03 August 2013, the company was committed at 31 December 2018 to payments totalling £9,000 (2017: £3,693,000) (index-linked) in respect administration services (2017: management and administration services) to be provided over the period up to 31 December 2038.

Following the liquidation of Carillion Construction Limited trading as Carillion Private Finance, Albany SPC Services Ltd were appointed under a Management Services Agreement to provide management services for Inspiredspaces Rochdale (ProjectCo2) Ltd on 1st February 2018.

17. Financial instruments

(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:

	2018 £'000 Carrying amount	**2018 £'000 Fair value**	2017 £'000 Carrying Amount	2017 £'000 Fair value
Financial assets				
Other financial assets	**34,820**	**34,820**	35,322	35,322
Loans and receivables				
Cash and equivalents	**1,305**	**1,305**	944	944
Trade and other receivables	**429**	**429**	688	688
Total loans and receivables	**1,734**	**1,734**	1,632	1,632
Total financial assets	**36,554**	**36,554**	36,954	36,954

continued...

17. Financial instruments - continued

	2018 £'000 Carrying amount	2018 £'000 Fair value	2017 £'000 Carrying Amount	2017 £'000 Fair value
Financial liabilities measured at amortised cost				
Interest bearing loans	34,657	35,298	36,076	30,851
Trade and other payables	1,617	1,617	858	858
Total financial liabilities measured at amortised cost	36,274	36,915	36,934	31,709
Total financial liabilities	36,274	36,915	36,934	31,709
Total financial instruments	81	5,900	20	5,245

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

(b) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the group 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 group receives its revenue from a government body and therefore is not exposed to significant risk.

The group invests cash and enters into interest rate swap agreements with financial institutions. The credit quality of these institutions is reviewed by the directors on a regular basis. As such the group's exposure to credit risk is reduced.

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

	2018 £'000	2017 £'000
United Kingdom	35,057	36,010
	35,057	36,010

continued...

17. Financial instruments - continued

(b) Credit risk - continued

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

	2018 £'000	2017 £'000
Government backed institutions - Rochdale Metropolitan Borough Council	**35,057**	36,010
	35,057	36,010

Credit quality of financial assets and impairment losses
The ageing of trade and other receivables at the balance sheet date was:

	2018 £'000	2017 £'000
Government backed institutions - Rochdale Metropolitan Borough Council		
Not past due	**35,057**	36,010
	35,057	36,010

(c) Liquidity risk

Financial risk management
Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group 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.

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

2018	**Carrying Values**	**Contractual Cashflows**	**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	30,971	45,101	700	44,401	-	-
Amounts owed to group undertakings	3,686	8,497	830	-	2,308	5,359
Trade & other payables	1,617	1,617	1,603	14	-	-
	36,274	**55,215**	**3,133**	**44,415**	**2,308**	**5,359**

continued...

17. **Financial instruments - continued**

(c) Liquidity risk - continued

2017	Carrying Values	Contractual Cashflows	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	32,390	47,626	624	1,901	10,319	34,782
Amounts owed to group undertakings	3,686	8,441	251	253	2,068	5,869
Trade & other payables	858	858	850	8	-	-
	36,934	56,925	1,725	2,162	12,387	40,651

(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 group'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:

	2018	2017
	£'000	£'000
Fixed rate instruments		
Financial assets	**35,057**	36,010
Financial liabilities	**(34,657)**	(36,076)
	400	(66)

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

(e) Capital management

The group manages its cash, bank loan and other overdrafts and equity as capital. The group'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 to fund them. Additional capital is funded by the least cost source at the time of fund raising.

continued...

18. **Ultimate parent company and parent company of larger group**

At 31 December 2016 81% of the company's share capital was held by Dalmore Capital (Rochdale 2) Ltd, 9% by Dalmore Capital (PARA 1) Limited and 10% owned by Inspiredspaces Rochdale Ltd.

The directors regard Dalmore Capital (Rochdale 2) Ltd, a company incorporated in England and Wales, as the immediate parent undertaking and controlling party.

There is no ultimate controlling party.

Copies of the financial statements of Inspiredspaces Rochdale (Holdings2) Ltd, the largest group are available to the public and may be obtained from 3rd Floor, 3 - 5 Charlotte Street, Manchester, M1 4HB, United Kingdom.

19. **Related party disclosures**

Related party transactions

	Purchase of goods and services for the year ended 31 December 2018 £'000	Purchase of goods and services for the year ended 31 December 2017 £'000
Dalmore Capital Limited	**424**	391
George Street Asset Management	**45**	-
Carillion Construction Limited	**76**	13
Carillion Services Limited	**234**	1,722
Inspiredspaces Rochdale Limited	**137**	408
	916	2,534

	Payables outstanding 2018 £'000	Payables outstanding 2017 £'000
Dalmore Capital Limited	**3,317**	3,317
Carillion Services Limited	**-**	1
Inspiredspaces Rochdale Limited	**369**	369
	3,686	3,687

19. **Related party disclosures - continued**

	Receivables Outstanding 2018 £000	Receivables Outstanding 2017 £000
Carillion Services Limited	**11**	-
	11	-

During the year the companies disclosed above all had significant influence in the Group.

continued...

20. Reconciliation of profit before tax to cash generated from operations

	2018	2017
	£'000	£'000
Profit before tax	82	41
Finance costs	1,817	1,846
Finance income	(1,621)	(1,680)
	278	207
Decrease/(increase) in trade and other receivables	450	(361)
Increase in trade and other payables	657	2
Cash generated from operations	1,385	(152)

21. Cash and cash equivalents

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 December 2018

	31/12/18	1/1/18
	£'000	£'000
Cash and cash equivalents	1,304	944

Year ended 31 December 2017

	31/12/17	1/1/17
	£'000	£'000
Cash and cash equivalents	944	1,166