

Registered number: 05528127

Brighton I-360 Limited

Annual report and financial statements

For the year ended 30 June 2021

Brighton I-360 Limited

Company Information

Directors	J B Barfield B J Barfield Marks E J Harris Dr J M Roberts R A Russell D Sharpe
Registered number	05528127
Registered office	Brighton I360 Lower Kings Road Arches Brighton BN1 2LN
Independent auditors	Kreston Reeves LLP Chartered Accountants & Statutory Auditor Plus X Innovation Hub Lewes Road Brighton East Sussex BN2 4GL

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Strategic report
For the year ended 30 June 2021

Introduction

The directors present their strategic report for the year ended 30 June 2021.

During the year the company was, like almost all other businesses, affected by the Covid 19 pandemic. In reading this report therefore it should be borne in mind that after March 2020 and until all restrictions were lifted in July 2021 the trading environment totally changed.

Business review

The i360's business in the year was severely affected by the Covid pandemic, which forced its closure from 19 March to 3 July 2020 and again from 5 November 2020 to 17 May 2021. As a result the visitor numbers for the year to 30 June 2021 were only 134,520, as against 324,000 in the year 2018/19 (the year prior to the Covid pandemic), and gross revenues were reduced from £6,328,535 in 2018/19 to £2,957,439. In the year to 30 June 2022 just ended visitor numbers were substantially as forecast at 271,501.

Notwithstanding the reduction in revenues Brighton i360 was able in the years affected by the pandemic, with the assistance of the government's furlough scheme and other assistance, to meet its operating costs. However, the revenue shortfall meant that it was unable from December 2019 to December 2021 to make any payments to its principal funder Brighton & Hove City Council ("the Council").

In December 2018 the Council, in order to ensure the sustainable operation of the i360, agreed to a temporary deferral of unpaid amounts, and also to deferral of further amounts as they become due, provided that all available cash flow after operating expenses were used to service the Council's loan. In December 2019 the Council again confirmed the deferral arrangements and proposed a restructure of the company's loan structure in order to provide both Brighton i360 and the Council with arrangements more suited to the company's financial performance. Unfortunately the Covid emergency prevented for the next two years any progress on implementation of these arrangements.

Discussions on the restructure were resumed early in 2022. At a meeting of its Policy and Resources Committee on 7 July 2022 the Council agreed a restructure of Brighton i360's debts to allow for repayments at a lower annual level over the next 25 years, with interest to be charged at a lower annual rate of 3% as against the previous rate of 6.53%. Under the restructure all available cash, after allowing for working capital requirements, and the major maintenance reserve referred to below, is to be applied at 6 monthly intervals in debt repayment. A schedule of minimum payments, based on Brighton i360's five year business plan, has been agreed, and failure to meet the required payments, on a cumulative basis, will constitute a default.

On 21 July 2021 the outstanding loan of £4,060,000 by Coast-to-Capital LEP was assigned to the Council together with accumulated unpaid interest. Under the restructure agreement the principal of the loan is to be repaid to the Council but the interest will be written off and no further interest will accrue. Debt payments will be applied firstly in repayment of the outstanding Council loan of £43,108,761, then in payment of the accumulated interest and then in repayment of the £4,060,000. Should the company exceed its 2026/27 business plan forecast in any subsequent year 40% of any excess cash flow may be applied towards repayment of shareholder loans with the remaining 60% being applied against the council debt.

As part of the refinancing agreement, with effect from 2027 Brighton i360 will each year reserve £150k to be accumulated as a sinking fund to meet any major maintenance costs arising in the future. The amount of the reserve and the level of payments required will be reviewed from time to time in the light of technical advice.

Principal risks and uncertainties

The major risk facing Brighton i360 is that it proves unable to increase revenues to the degree required to make the minimum payments required by the new loan structure. In these circumstances the Council might at some point be compelled to take enforcement or other action. However, the directors consider that, provided it is able to operate in normal conditions, the company will be able to achieve its business plan and that visitor numbers and therefore revenues will be sufficient to cover its operating costs and allow for the scheduled minimum payments.

The sponsorship agreement with British Airways is expected to terminate before the end of 2022. Although the

Strategic report (continued)
For the year ended 30 June 2021

business plan does not include any projected sponsorship income the lack of that income may negatively impact Brighton i360's ability to meet its objectives and accordingly new sponsorship opportunities are being explored.

Although annual revenues have in past pre-Covid years been more than sufficient to cover operating costs they are necessarily seasonal and cash flow is therefore often difficult to manage in off peak periods. In addition, periods of unseasonably bad weather can have a materially adverse effect on visitor numbers and therefore revenues, as they had during the autumn and winter of 2019/20.

Using new technology and in an exposed location the i360 in earlier years experienced some technical breakdowns which affected revenues and may have had a reputational impact. Breakdowns at busy times in particular present a revenue and cash flow risk. However, the i360 has a very skilled and dedicated technical team which is increasingly able to solve problems swiftly and has the continuing support of Poma, the designers of the pod and drive mechanism. In the year to 30 June 2021 only 37 flights out of a total of 3,512 were lost to technical problems. (The number of flights lost due to Covid closures was 2,699).

The Covid-19 pandemic and the steps taken to confront it presented a unique challenge to all leisure attractions. The closures and other restrictions meant that visitor numbers and therefore revenues were much lower than would normally be achieved. This is likely to be the case whenever full operations are restricted, whether compulsorily or voluntarily.

Since the reopening of the attraction in May 2021 and the lifting of operational restrictions in July 2021 the financial returns have exceeded management's forecasts. All sectors of the business have operated well above budget. Accordingly, in the absence in future of similar restrictions and other abnormal trading conditions affecting visitor attractions, such as material travel disruption, the Board considers that it will be able to continue to meet its operating costs and make the scheduled debt repayments.

Financial key performance indicators

The original visitor number target for the year to 30 June 2021 was 226,285. This target assumed that the attraction would remain open throughout the year, albeit with social distancing and other restrictions in place. The lockdown which commenced early in November 2020 and lasted until May 2021, with some restrictions continuing until July, of course made this impossible. The visitor number achieved was 134,520. In the year to 30 June 2022 the business achieved 271,501 visitors, allowing the company to make a debt repayment of £700,000 to the Council in June while conserving sufficient working capital for the following period.

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

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R A Russell
Director

Date: 28 July 2022

Directors' report
For the year ended 30 June 2021

The directors present their report and the financial statements for the year ended 30 June 2021.

Principal activity

The company's principal activity during the year continued to be the operation of the British Airways i360 visitor attraction. The i360 officially opened on 4 August 2016.

Results and dividends

The loss for the year, after taxation, amounted to £4,163,933 (2020 - loss £5,156,028). The company made an operating profit, before interest of £102,733 (2020: £(894,123)).

Directors do not recommend a dividend at the year end.

Directors

The directors who served during the year were:

J B Barfield
B J Barfield Marks
E J Harris
Dr J M Roberts
R A Russell
D Sharpe

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Future developments

The company plans to continue with the operation of the British Airways i360 visitor attraction.

The directors' focus is to improve the visitor numbers and existing and new revenue lines and to control costs so that the requirements of the new loan structure agreed with the Council are met.

Directors' report (continued)
For the year ended 30 June 2021

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.

Post balance sheet events

On 21 July 2021, Brighton I-360 Limited's loan with Coast to Capital Local Enterprise Partnership of £4,060,000 together with accrued interest to that date was novated to Brighton & Hove City Council. At the same date, Coast to Capital Local Enterprise Partnership was released from any security arrangements and any obligations under the intercreditor agreement entered into with Brighton I-360 Limited, I-360 Attractions Ltd, Brighton I-360 Holdings Limited, Julia Barfield, Marks Barfield Limited, and Brighton & Hove City Council, and Brighton & Hove City Council is still considered to be the senior creditor. Subsequently Brighton & Hove City Council have confirmed that the accrued interest relating to this debt has now been written off.

In July 2022, Brighton i-360 Limited agreed a loan restructure with Brighton & Hove City Council that requires the company to pay the Council all surplus cash generated by the attraction less any operational cash float and maintenance reserve requirements. This 100% cash sweep will operate for the next five years. Subsequently, a small profit share mechanism will be implemented whereby if the company exceeds its business plan the Council and the loan note holders are repaid on a 60/40 percentage basis. The loan with the Council is subject to interest at 3% and is the senior loan and will be repaid ahead of the loan notes and the original LEP loan which is the junior loan. No interest is payable on the junior loan. In advance of the restructure agreement being finalised with the Council a cash payment was made to it of £700,000 in June 2022.

Auditors

The auditors, Kreston Reeves LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

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R A Russell

Director

Date: 28 July 2022

Independent auditors' report to the members of Brighton I-360 Limited

Opinion

We have audited the financial statements of Brighton I-360 Limited (the 'Company') for the year ended 30 June 2021, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2.2 in the financial statements, which indicates that the company incurred a net loss of £4,163,933 (2020: £5,156,028) during the year ended 30 June 2021 and, as of that date, had net liabilities of £20,756,044 (2020: £16,592,111). As stated in note 2.2 the future of the company is dependent upon being able to meet its loan repayments as they fall due. This, along with other matters set forth in note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter

Key audit matters

Except for the matter described in the material uncertainty related to going concern section, we have determined that there are no other key audit matters to be communicated in our report

Independent auditors' report to the members of Brighton I-360 Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent auditors' report to the members of Brighton I-360 Limited (continued)

Auditors' responsibilities for the audit of the financial statements

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 an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the company and industry, and through discussion with the directors and other management (as required by auditing standards), we identified the principal risks of non-compliance with laws and regulations. We considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to; posting inappropriate journal entries to increase revenue or reduce expenditure and management bias in accounting estimates and judgemental areas of the financial statements such as the impairment of fixed assets. Audit procedures performed by the engagement team included:

- Discussions with management and assessment of known or suspected instances of non-compliance with laws and regulations and fraud, and review of the reports made by management; and
- Assessment of identified fraud risk factors; and
- Challenging assumptions and judgements made by management in its significant accounting estimates; and
- Performing analytical procedures to identify any unusual or unexpected relationships, including related party transactions, that may indicate risks of material misstatement due to fraud; and
- Confirmation of related parties with management, and review of transactions throughout the period to identify any previously undisclosed transactions with related parties outside the normal course of business; and
- Reading minutes of meetings of those charged with governance,
- Review of internal controls and physical inspection of tangible assets susceptible to fraud or irregularity; and
- Review of significant and unusual transactions and evaluation of the underlying financial rationale supporting the transactions; and
- Identifying and testing journal entries, in particular any manual entries made at the year end for financial statement preparation.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent auditors' report to the members of Brighton I-360 Limited (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

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 Auditors' 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.

Alison Jones FCA (Senior Statutory Auditor)
for and on behalf of
Kreston Reeves LLP
Chartered Accountants
Statutory Auditor
Brighton

29 July 2022

Statement of comprehensive income
For the year ended 30 June 2021

	Note	2021 £	2020 £
Turnover		2,957,439	3,030,090
Cost of sales		(346,125)	(298,170)
Gross profit		2,611,314	2,731,920
Administrative expenses		(2,733,449)	(2,766,376)
Depreciation		(440,885)	(1,141,879)
Other operating income	5	665,753	282,212
Operating profit/(loss)	6	102,733	(894,123)
Interest payable and similar expenses	9	(4,266,666)	(4,261,905)
Loss before tax		(4,163,933)	(5,156,028)
Loss for the financial year		(4,163,933)	(5,156,028)

There was no other comprehensive income for 2021 (2020:£NIL).

The notes on pages 12 to 27 form part of these financial statements.

Balance sheet
As at 30 June 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	11	47,040,865	47,152,061
		<u>47,040,865</u>	<u>47,152,061</u>
Current assets			
Stocks	12	89,097	61,297
Debtors: amounts falling due within one year	13	377,607	455,142
Cash at bank and in hand		432,400	51,823
		<u>899,104</u>	<u>568,262</u>
Creditors: amounts falling due within one year	14	(1,527,045)	(9,921,844)
Net current liabilities		<u>(627,941)</u>	<u>(9,353,582)</u>
Total assets less current liabilities		<u>46,412,924</u>	<u>37,798,479</u>
Creditors: amounts falling due after more than one year	15	(67,168,968)	(54,390,590)
Net liabilities		<u>(20,756,044)</u>	<u>(16,592,111)</u>
Capital and reserves			
Called up share capital	17	2	2
Profit and loss account	18	(20,756,046)	(16,592,113)
		<u>(20,756,044)</u>	<u>(16,592,111)</u>

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

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R A Russell
Director

Date: 28 July 2022

The notes on pages 12 to 27 form part of these financial statements.

Statement of changes in equity
For the year ended 30 June 2021

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 July 2019	2	(11,436,085)	(11,436,083)
Comprehensive income for the year			
Loss for the year	-	(5,156,028)	(5,156,028)
Total comprehensive income for the year	-	(5,156,028)	(5,156,028)
At 1 July 2020	2	(16,592,113)	(16,592,111)
Comprehensive income for the year			
Loss for the year	-	(4,163,933)	(4,163,933)
Total comprehensive income for the year	-	(4,163,933)	(4,163,933)
At 30 June 2021	2	(20,756,046)	(20,756,044)

The notes on pages 12 to 27 form part of these financial statements.

Notes to the financial statements
For the year ended 30 June 2021

1. General information

The company is a private company limited by share capital and incorporated in England and Wales.

The registered office and principal place of business of the company is:

Brighton I360

Lower Kings Road Arches

Brighton

BN1 2LN

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 Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

Summary of disclosure exemptions

The company is a qualifying entity under FRS 102 and has adopted the following disclosure exemptions:

- the requirement to present a statement of cash flows and related notes,
- financial instrument disclosures, including:
 - i) categories of financial instruments
 - ii) items of income, expenses, gains or losses relating to financial instruments, and
 - iii) exposure to and management of financial risks
- key management personnel compensation in total.

Name of parent of group

These financial statements are consolidated in the financial statements of I-360 Attractions Limited.

The financial statements of I-360 Attractions Limited may be obtained from 50 Bromells Road, London, SW4 0BG.

The following principal accounting policies have been applied:

Notes to the financial statements
For the year ended 30 June 2021

2. Accounting policies (continued)

2.2 Going concern

The company made a loss for the year of £4,163,933 (2020: £5,156,028) after taking into account loan interest payable of £4,266,666 (2020: £4,261,905) and has net liabilities of £20,756,044 (2020: £16,592,111).

As referred to in the principal risks and uncertainties paragraph in the Strategic Report, a shortfall in visitor numbers and revenues has meant that the company has been unable to meet its full payment obligations to its principal loan creditor, Brighton & Hove City Council. As a result the directors have for some time been in discussion with the Council with a view to a restructuring of its loan and the loan by Coast to Capital Local Enterprise Partnership. In July 2022, the company agreed a loan restructure with Brighton & Hove City Council that requires the company to pay the Council all surplus cash generated by the attraction less any operational cash float and maintenance reserve requirements.

The Covid 19 pandemic compelled the attraction to close between 19 March 2020 and 4 July 2020. After the attraction re-opened the social distancing, cleaning and other requirements were extremely challenging to the attraction's operation, and the pandemic affected people's travel and leisure activities. Further government restrictions forced its closure from 5 November 2020 to 17 May 2021. Nevertheless the cash generated during the four months of operations, together with the Government's furlough scheme, was sufficient to enable the company to meet its operating costs. Since re-opening the attraction has performed better than anticipated, with all parts of the business materially exceeding budget.

During the pandemic, discussions with the Council on a long term debt restructure were necessarily suspended. They resumed early in 2022, and the Council has now agreed a restructure of the company's debts to allow for repayments at a reduced rate over the next 25 years. Under the restructure all available cash, after allowing for working capital requirements, is to be applied at 6 monthly intervals in debt repayment. Further details of the restructure are contained in the Strategic Review on page 1.

A schedule of minimum payments, based on the company's five year business plan, has been agreed. If the company was unable to make these repayments, in these circumstances the Council might at some point be compelled to take enforcement or other action. However, the directors consider that, provided it is able to operate in normal conditions, the company will be able to achieve its business plan and that visitor numbers and therefore revenues will be sufficient to cover its operating costs and allow for the scheduled minimum payments.

Of course if the attraction is required to close again for a material period in response to new restrictions, or is adversely affected by travel disruption or other material factors outside its control, there is necessarily a material uncertainty as to whether the revenues generated will be sufficient to meet future operating costs and the agreed debt repayments.

Apart from the Council the company has long term funding from the shareholders and associates of the parent company and its associates. They have confirmed that they will continue to provide this support and therefore will not call for any payment in respect of their loans, although the restructure does allow for some repayments after 2026 if the company has made all the required payments to the Council and exceeds its business plan.

On this basis the directors consider that the company will continue to be able to meet its obligations as they fall due.

Notes to the financial statements
For the year ended 30 June 2021

2. Accounting policies (continued)

2.2 Going concern (continued)

If these reasons prove to be inappropriate, then adjustments may have to be made to adjust the value of assets to their recoverable amount, to provide for any further liabilities which might arise and reclassify fixed assets as current assets.

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss

2.4 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:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer; and
- the amount of revenue can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the costs incurred and the costs to complete the contract can be measured reliably.

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term. Additional turnover rent is calculated on the basis of 4% of annual admissions turnover less annual rent of £100,000.

Notes to the financial statements
For the year ended 30 June 2021

2. Accounting policies (continued)

2.6 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of comprehensive income in the same period as the related expenditure. During the year the company received assistance from the coronavirus job retention scheme.

2.7 Finance costs

Non-capitalised 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.

2.8 Capitalisation of interest and fees

The company capitalised finance interest and legal and professional fees of £727,567, along with the construction cost of the I-360 visitor attraction, and amortises these over the same period as the i360 tower.

2.9 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

Contributions to defined contribution plans are expensed in the period to which they relate.

Notes to the financial statements
For the year ended 30 June 2021

2. Accounting policies (continued)

2.10 Taxation

Tax is recognised in profit or loss 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. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.11 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Notes to the financial statements
For the year ended 30 June 2021

2. Accounting policies (continued)

2.11 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

The British Airways i360 Tower	- Over the term of the lease
Plant and equipment consisting:	-
- Plant and machinery	10% straight line per annum
- Fixtures and fittings	33% straight line per annum
- Office equipment and IT	33% straight line per annum
Ticketing system	- 10% straight line per annum
Equipment spares	- See below

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

During the year the useful economic life of the tower was reassessed as a result of the major maintenance reserve being put into place as part of the loan restructuring agreed Brighton & Hove City Council. The directors now consider this to equal the lease term of 125 years. It was previously considered to have a useful economic life of 50 years.

Major equipment spares which can only be used in conjunction with the British Airways i360 Tower are included at cost within equipment spares. These are assessed for impairment on a regular basis and a provision is made where appropriate.

2.12 Stocks

Retail stocks are stated at the lower of cost and net realisable value, being the estimated selling price. Cost is based on the cost of purchase on a first in, first out basis.

At each balance sheet date, stocks are assessed for impairment and a provision is made for obsolete, slow moving or defective items where appropriate. If stock is impaired, the carrying amount is reduced to its selling price less costs to sell. The impairment loss is recognised immediately in profit or loss.

2.13 Debtors

Short-term debtors are measured at transaction price, less any impairment.

2.14 Cash

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

2.15 Creditors

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

Notes to the financial statements
For the year ended 30 June 2021

2. Accounting policies (continued)

2.16 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In application of the company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions.

The following are the critical judgements, that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Going concern

The directors consider that both the shareholders and loan providers, including Brighton & Hove City Council and Coast to Capital LEP (until 12 July 2021 when this loan was novated to Brighton & Hove City Council), will continue to support the company financially for the foreseeable future and the shareholders and loan providers have both shown their intent to continue their support (see note 2.2 for further details). As such the financial statements have been prepared on a going concern basis after consideration of the company's future trading prospects, working capital requirements and cash flows over a period of no less than 12 months from the date of the approval of the financial statements. The company is therefore able to continue trading with the support of its shareholders and loan providers.

Impairment of the i360 Tower

Determining whether the i360 Tower is impaired requires an estimation of the value of its future use. This calculation requires the entity to estimate the future cash flows expected to arise from the i360 Tower and the estimated useful life of the tower. The carrying amount of the i360 Tower at the balance sheet date was £46,318,280 (2020: 46,714,163) and the directors do not consider that any impairment has arisen.

4. Turnover

	2021 £	2020 £
Admissions income	1,525,651	1,979,354
Sponsorship income	180,734	251,620
Retail income	131,977	208,279
Catering income	493,994	-
Other trading income	625,083	590,837
	<u>2,957,439</u>	<u>3,030,090</u>

Notes to the financial statements
For the year ended 30 June 2021

5. Other operating income

	2021 £	2020 £
Government grants receivable	665,753	282,212
	<u>665,753</u>	<u>282,212</u>

6. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2021 £	2020 £
Depreciation	440,885	1,141,879
Cost of stock recognised as an expense	152,735	226,738
Other operating lease rentals	<u>89,516</u>	<u>129,842</u>

7. Auditors' remuneration

Fees payable to the Company's auditor and its associates in respect of:

Audit-related assurance services	12,500	10,500
Accountancy fees	7,000	6,675
All other services	3,115	587
	<u>22,615</u>	<u>17,762</u>

Notes to the financial statements
For the year ended 30 June 2021

8. Employees

Staff costs were as follows:

	2021 £	2020 £
Wages and salaries	1,751,293	1,347,731
Social security costs	134,931	100,519
Cost of defined contribution scheme	36,716	21,307
	<u>1,922,940</u>	<u>1,469,557</u>

During the year the directors received remuneration totalling £nil (2020 - £nil).

The average monthly number of employees, including the directors, during the year was as follows:

	2021 No.	2020 No.
Staff	112	77
Directors	6	6
	<u>118</u>	<u>83</u>

9. Interest payable and similar expenses

	2021 £	2020 £
Loan interest payable to Brighton & Hove City Council	2,198,525	2,247,481
Loan interest payable to group undertakings	1,039,178	1,039,178
Loan interest payable to Coast to Capital LEP	1,028,963	975,246
	<u>4,266,666</u>	<u>4,261,905</u>

10. Taxation

	2021 £	2020 £
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Total deferred tax	<u>-</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>-</u>	<u>-</u>

Notes to the financial statements
For the year ended 30 June 2021

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Loss on ordinary activities before tax	<u>(4,163,933)</u>	<u>(5,156,028)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	(791,147)	(979,645)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	6,976	(341)
Short-term timing difference leading to an increase (decrease) in taxation	(242,094)	(143,724)
Unrelieved tax losses carried forward	1,026,265	1,123,710
Total tax charge for the year	<u><u>-</u></u>	<u><u>-</u></u>

Factors that may affect future tax charges

The company has taxable losses carried forward which will be available to offset against future taxable profits.

The value of the unprovided deferred tax asset in relation to taxable losses is in the region of £6.3 million (2020: £4.1 million), and the unprovided deferred tax provision in relation to accelerated capital allowances is in the region of £2.5 million (2020: £1.6 million).

Notes to the financial statements
For the year ended 30 June 2021

11. Tangible fixed assets

	The British Airways i360	Plant and equipment	Ticketing system	Equipment spares	Total
	£	£	£	£	£
Cost or valuation					
At 1 July 2020	50,538,117	813,113	95,169	323,020	51,769,419
Additions	-	307,097	19,087	3,506	329,690
At 30 June 2021	<u>50,538,117</u>	<u>1,120,210</u>	<u>114,256</u>	<u>326,526</u>	<u>52,099,109</u>
Depreciation					
At 1 July 2020	3,823,954	756,129	37,275	-	4,617,358
Charge for the year on owned assets	395,883	35,071	9,932	-	440,886
At 30 June 2021	<u>4,219,837</u>	<u>791,200</u>	<u>47,207</u>	<u>-</u>	<u>5,058,244</u>
Net book value					
At 30 June 2021	<u>46,318,280</u>	<u>329,010</u>	<u>67,049</u>	<u>326,526</u>	<u>47,040,865</u>
At 30 June 2020	<u>46,714,163</u>	<u>56,984</u>	<u>57,894</u>	<u>323,020</u>	<u>47,152,061</u>

Major equipment spares are classified as a tangible fixed asset in accordance with paragraph 17.5 of FRS 102 as equipment spares can only be used in connection with The British Airways i360 Tower.

Notes to the financial statements
For the year ended 30 June 2021

12. Stocks

	2021 £	2020 £
Retail and restaurant stock	89,097	61,297
	<u>89,097</u>	<u>61,297</u>

13. Debtors

	2021 £	2020 £
Trade debtors	51,695	17,143
Other debtors	226,912	402,694
Prepayments and accrued income	99,000	35,305
	<u>377,607</u>	<u>455,142</u>

14. Creditors: Amounts falling due within one year

	2021 £	2020 £
Coast to Capital LEP loan	-	8,425,628
Brighton & Hove City Council Term Loan	700,000	786,084
Trade creditors	317,134	330,588
Other taxation and social security	42,687	41,125
Other creditors	311,396	279,103
Accruals and deferred income	155,828	59,316
	<u>1,527,045</u>	<u>9,921,844</u>

Notes to the financial statements
For the year ended 30 June 2021

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

	2021 £	2020 £
Amounts owed to group undertakings (a)	16,604,321	15,565,143
Brighton & Hove City Council Term Loan (b)	40,962,445	38,677,836
Coast to Capital LEP loan (c)	9,454,591	-
Other creditors	147,611	147,611
	<u>67,168,968</u>	<u>54,390,590</u>

(a). The group loan payable to the parent company Brighton I-360 Holdings Limited of £16,604,321 (2020: £15,565,143) includes accrued interest at 10%. The group loan is subject to the terms of an intercreditor agreement, entered into by the company, I-360 Attractions Limited, Brighton I-360 Holdings Limited, Julia Barfield, Marks Barfield Limited, Brighton & Hove City Council and Coast to Capital Local Enterprise Partnership (until 21 July 2021), which sets out the order of priority for repayment. The loan is repayable on demand but is expressly subject to the intercreditor agreement whereby Brighton and Hove City Council are considered to be the senior creditor followed by the Coast to Capital Local Enterprise Partnership loan which is considered to be the junior creditor (see below).

On 7 July 2022, and as part of the loan restructuring agreement agreed with Brighton & Hove Council, it was agreed that subject to the repayments schedule being met that repayment of these loans would commence in 2027. All major stakeholders have confirmed that they will not recall the loans within the next 12 months.

The following liabilities were secured:

	2021 £	2020 £
Brighton & Hove City Council Term loan	41,662,445	39,463,920
Coast to Capital LEP loan	9,454,591	8,425,628
	<u>51,117,036</u>	<u>47,889,548</u>

Details of security provided:

The above creditors are secured by fixed and floating charges over the assets and undertaking of the company and its intermediate holding company Brighton I-360 Holdings Limited together with a guarantee by Brighton I-360 Holdings Limited and I-360 Attractions Limited in respect of the two loans as detailed below.

(b). Brighton & Hove City Council have advanced a £36,222,000 Term Loan Facility to support the construction costs of the i360. Interest accrues at an annual floating rate of approximately 7% and £2,198,525 accrued in the year to 30 June 2021 (2020: 2,247,481). Repayments of the loan commenced on 30 June 2017 and were originally due to end on 30 June 2041. However in July 2022 (See note 22) the repayment terms have been renegotiated and a revised repayment schedule was agreed whereby repayments are to be made at a reduced rate over the next 25 years at 6 monthly intervals after allowing for working capital requirements. Under the new terms of the restructure agreement interest will be charged at 3% per annum.

Notes to the financial statements
For the year ended 30 June 2021

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

(c). Coast to Capital Local Enterprise Partnership advanced a £4,060,000 Term Loan Facility to support the construction costs of the i360. Interest accrued at the annual rate of 3.75%, and when repayment is made further capitalised interest at the annual rate of 11.25% was also payable. Total interest of £1,028,963 accrued in the year to 30 June 2021 (2020: £975,246). The loan was originally repayable on or before 30 June 2021, however the loan provided by Coast to Capital Local Enterprise Partnership was novated to Brighton & Hove City Council on 21 July 2021. Under the terms of the loan restructure agreement no further interest on this loan will be charged and all of the interest accrued to date of £5,394,591 will be written off in the accounts for the year ended 30 June 2022.

16. Loans

Analysis of the maturity of loans is given below:

	2021 £	2020 £
Amounts falling due within one year		
Coast to Capital LEP loan	-	8,425,628
Brighton & Hove City Council Term loan	700,000	786,084
	<u>700,000</u>	<u>9,211,712</u>
Amounts falling due 2-5 years		
Brighton & Hove City Council Term loan	7,381,716	3,702,259
	<u>7,381,716</u>	<u>3,702,259</u>
Amounts falling due after more than 5 years		
Coast to Capital LEP loan	9,454,591	-
Brighton & Hove City Council Term loan	33,580,729	34,975,577
Amounts owed to group undertakings	16,604,321	15,565,143
	<u>59,639,641</u>	<u>50,540,720</u>
	<u><u>67,721,357</u></u>	<u><u>63,454,691</u></u>

17. Share capital

	2021 £	2020 £
Authorised, allotted, called up and fully paid		
2 (2020 - 2) Ordinary shares of £1.00 each	<u>2</u>	<u>2</u>

18. Reserves

Profit and loss account

The profit and loss account represents cumulative profits and losses.

Notes to the financial statements
For the year ended 30 June 2021

19. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £36,716 (2020: £21,307). Contributions totalling £6,160 (2020: £2,878) were payable at the balance sheet date and are included in creditors.

20. Commitments under operating leases

At 30 June 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £	2020 £
Not later than 1 year	123,446	100,000
Later than 1 year and not later than 5 years	582,080	400,000
Later than 5 years	16,443,760	11,396,986
	<u>17,149,286</u>	<u>11,896,986</u>

The operating lease detailed above has a term of 125 years (118 years remaining) and under the terms of the lease agreement the company has the ability in certain circumstances to terminate the lease upon giving the landlord not less than 12 months written notice. The directors have confirmed that they do not envisage circumstances in which they would wish to terminate the lease. In addition to the rent above the company is also obligated to pay 'turnover rent' which is equal to 4% of annual admissions turnover less annual rent of £100,000 for the period up to 24 December 2021 and £145,520 per annum with effect from 25 December 2021.

21. Related party transactions

During the period the company made the following related party transactions:

J B Barfield

Director

During the year J B Barfield supplied the company with an interest free loan. The amount due to J B Barfield at the balance sheet date was £nil (2020: £180,000)

J M Roberts

Director

During the year J M Roberts supplied the company with an interest free loan. The amount due to J M Roberts at the balance sheet date was £nil (2020: £20,000)

D Sharpe

Director

D Sharpe supplied the company with consultancy services during the year of £nil (2020: £4,000). The amount due to D Sharpe at the year end was £nil (2020: £nil).

Notes to the financial statements
For the year ended 30 June 2021

22. Post balance sheet events

On 21 July 2021, the company's loan with Coast to Capital Local Enterprise Partnership of £4,060,000 together with accrued interest to that date was novated to Brighton & Hove City Council. At the same date, Coast to Capital Local Enterprise Partnership was released from any security arrangements and any obligations under the intercreditor agreement entered into with the company, I-360 Attractions Ltd, Brighton I-360 Holdings Limited, Julia Barfield, Marks Barfield Limited, and Brighton & Hove City Council, and Brighton & Hove City Council is still considered to be the senior creditor.

In 7 July 2022, the company agreed a loan restructure with Brighton & Hove City Council that requires the company to pay the Council all surplus cash generated by the attraction less any operational cash float and maintenance reserve requirements. This 100% cash sweep will operate for the next five years. Subsequently, a small profit mechanism will be implemented whereby if the company exceeds its business plan the Council and the loan note holders are repaid on a 60/40 percentage. The loan with the Council has an interest rate of 3% and is considered to be the senior loan and will be repaid ahead of the loan notes and the LEP loan which is considered to be the junior loan. The LEP loan element has an interest rate of 0%. In advance of the loan restructure agreement being finalised with the Council a cash payment was made to it of £700,000 in June 2022.

23. Controlling party

The company is controlled by Brighton I-360 Holdings Limited which owns 100% of the called up share capital. The ultimate parent company is I-360 Attractions Limited which has a 100% holding in Brighton I-360 Holdings Limited. The ultimate controlling party is J B Barfield by virtue of her majority shareholding in I-360 Attractions Limited.

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