

**REGISTERED NUMBER: 06436114 (England and Wales)**

**Directors' Report and  
Financial Statements  
for the Year Ended 31 December 2022  
for  
Inspiredspaces STaG (ProjectCo1) Limited**

**SATURDAY**



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for the year ended 31 December 2022**

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**Inspiredspaces STaG (ProjectCo1) Limited**

**Company Information  
for the year ended 31 December 2022**

**DIRECTORS:**

K Savjani  
P J Dixon  
J G Du Plessis  
S B Reid  
J P Marsh

**REGISTERED OFFICE:**

3 More London Riverside  
London  
SE1 2AQ

**REGISTERED NUMBER:**

06436114 (England and Wales)

**AUDITOR:**

KPMG LLP  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

The Directors present their report with the financial statements of the company for the year ended 31 December 2022.

The Directors' Report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption. Both the level of business and the year end financial positions were in line with budgets and expectations.

## PRINCIPAL ACTIVITY

The principal activities of the company are the design, redevelopment, financing and operation of schools and associated services under the Government's Building Schools for the Future scheme for a period of twenty-seven years pursuant to and in accordance with the terms of an agreement with the South Tyneside Council. This agreement together with a loan facilities agreement, a construction contract, a facilities management contract and other related contracts was signed on 21 December 2007. Construction of the schools commenced in December 2007 and was completed in October 2009.

## REVIEW OF BUSINESS

The Directors consider the performance of the company during the year, the financial position at the end of the year and its prospects for the future to be satisfactory.

The statement of comprehensive income set out on page 8 shows a profit for the financial year of £68,000 (2021: £88,000).

## FUTURE DEVELOPMENTS

The Directors continue to develop the business in line with the contract.

## DIVIDENDS

The Directors recommended the payment of an interim dividend of £49,000 (2021: £73,000).

## DIRECTORS

The Directors shown below have held office during the whole of the period from 1 January 2022 to the date of this report unless otherwise stated.

K J Edwards (resigned 19 October 2022)

P J Dixon

S B Reid

J P Marsh

K Savjani

J G Du Plessis

## DIRECTORS INDEMNITIES

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

## PRINCIPLE RISKS AND UNCERTAINTIES

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks affecting the company are considered to relate to cash flow management, facility management compliance and review of the insurance cover and lifecycle profile. The company is exposed to inflation risk as some of its operational costs are RPI linked. This risk is mitigated as an element of the company's availability income is also linked to RPI. The board formally reviews risks and appropriate processes are put in place to mitigate them.

## GOING CONCERN

The Company had net liabilities of £528,000 as at 31 December 2022 and generated a profit for the year then ended of £68,000. The net liabilities position is caused by the interest rate swap liability, which is a non cash item that does not affect the cashflows of the Company and the liability will be unwound over the life of the project

The Directors have prepared cash flow forecasts covering a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downside, the Company will have sufficient funds to meet its liabilities as they fall due for that period and to operate within the covenants on its external borrowings.

Specifically, the Directors have considered if, in modelled severe but plausible downside scenarios, the level of operational performance of the Company would lead to service failure points being awarded against the Company in accordance with the terms of the Company's contract with the local authority sufficient to cause an event of default under the terms of the Company's external borrowings. To date, there has been no material adverse impact on the Company's cashflows, or the service levels provided and no indication of heightened risk of subcontractor failure. As a result, the cashflow forecasts indicate that, even in downside scenarios, the Company will be able to meet its liabilities as they fall due.

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

**Inspiredspaces STaG (ProjectCo1) Limited**

**Directors' Report - continued  
for the year ended 31 December 2022**

**POST BALANCE SHEET EVENTS**

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

**DISCLOSURE OF INFORMATION TO AUDITOR**

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**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:**



.....  
J Marsh - Director

Date: 19th June 2023

**Statement of Directors' Responsibilities  
for the year ended 31 December 2022**

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **Independent Auditor's Report to the Members of Inspiredspaces STaG (ProjectCo1) Limited**

### **Opinion**

We have audited the financial statements of Inspiredspaces STaG (ProjectCo1) Limited ("the company") for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Going concern**

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

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

### **Fraud and breaches of laws and regulations – ability to detect**

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any usual or unexpected relationships.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because of the existence of limited incentives and opportunities to make inappropriate accounting entries in relation to revenue.

We did not identify any additional fraud risks.

We performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

#### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by

## **Independent Auditor's Report to the Members of Inspiredspaces STaG (ProjectCo1) Limited (continued)**

auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified health and safety as the most likely area to have such an effect, recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### **Directors' report**

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

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

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

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.



## **Independent Auditor's Report to the Members of Inspiredspaces STaG (ProjectCo1) Limited (continued)**

### **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](http://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.



**John Hughes (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

Date: 23 June 2023

**Inspiredspaces STaG (ProjectCo1) Limited**

**Statement of Comprehensive Income  
for the year ended 31 December 2022**

	Notes	2022 £'000	2021 £'000
<b>TURNOVER</b>		<b>1,857</b>	<b>1,707</b>
Cost of sales		<b>(1,638)</b>	<b>(1,465)</b>
<b>OPERATING PROFIT</b>	3	<b>219</b>	<b>242</b>
Interest receivable and similar income	4	<b>900</b>	<b>970</b>
Interest payable and similar expenses	5	<b>(1,035)</b>	<b>(1,104)</b>
<b>PROFIT BEFORE TAXATION</b>		<b>84</b>	<b>108</b>
Tax on profit	6	<b>(16)</b>	<b>(20)</b>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>68</b>	<b>88</b>
<b>OTHER COMPREHENSIVE INCOME/(EXPENSE)</b>			
Change in fair value of cash flow hedge		<b>3,219</b>	<b>1,804</b>
Income tax relating to other comprehensive income		<b>(806)</b>	<b>(103)</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX</b>		<b>2,413</b>	<b>1,701</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>2,481</b>	<b>1,789</b>

The notes form part of these financial statements

**Inspiredspaces STaG (ProjectCo1) Limited (Registered number: 06436114)**

**Balance Sheet**  
**31 December 2022**

	Notes	2022 £'000	2021 £'000
<b>CURRENT ASSETS</b>			
Debtors: amounts falling due within one year	8	1,337	1,350
Debtors: amounts falling due after more than one year	8	12,800	14,850
Cash at bank		<u>2,431</u>	<u>2,389</u>
		16,568	18,589
<b>CREDITORS</b>			
Amounts falling due within one year	9	<u>(1,708)</u>	<u>(1,786)</u>
<b>NET CURRENT ASSETS</b>		<u>14,860</u>	<u>16,803</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		14,860	16,803
<b>CREDITORS</b>			
Amounts falling due after more than one year	10	(14,623)	(15,779)
<b>OTHER FINANCIAL LIABILITIES</b>	12	<u>(765)</u>	<u>(3,984)</u>
<b>NET LIABILITIES</b>		<u>(528)</u>	<u>(2,960)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	10	10
Cash flow hedging reserve		(574)	(2,987)
Retained earnings		<u>36</u>	<u>17</u>
<b>SHAREHOLDERS' DEFICIT</b>		<u>(528)</u>	<u>(2,960)</u>

The financial statements were approved by the Board of Directors on .....19th June 2023..... and were signed on its behalf by:



.....  
J Marsh - Director

**Inspiredspaces STaG (ProjectCo1) Limited**

**Statement of Changes in Equity  
for the year ended 31 December 2022**

	<b>Called up share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Cash flow hedging reserve £'000</b>	<b>Total equity £'000</b>
<b>Balance at 1 January 2021</b>	10	2	(4,688)	(4,676)
<b>Changes in equity</b>				
Total comprehensive income	-	88	1,701	1,789
Dividends (Note 7)	-	(73)	-	(73)
<b>Balance at 31 December 2021</b>	<u>10</u>	<u>17</u>	<u>(2,987)</u>	<u>(2,960)</u>
<b>Changes in equity</b>				
Total comprehensive income	-	68	2,413	2,481
Dividends (Note 7)	-	(49)	-	(49)
<b>Balance at 31 December 2022</b>	<u>10</u>	<u>36</u>	<u>(574)</u>	<u>(528)</u>

The notes form part of these financial statements

## **Inspiredspaces STaG (ProjectCo1) Limited**

### **Notes to the Financial Statements for the year ended 31 December 2022**

#### **1. ACCOUNTING POLICIES**

##### **Basis of preparing the financial statements**

These financial statements have been prepared under the historical cost convention and in accordance with UK Accounting Standards, and are presented in pounds sterling which is the functional currency of the company. All amounts in the financial statements have been rounded to the nearest £1,000.

##### **Statement of compliance**

Inspiredspaces STaG (ProjectCo1) Limited is a private limited company incorporated in England. The Registered Office is 3 More London Riverside, London, SE1 2AQ. The financial statements have been prepared in compliance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and the Companies Act 2006 for the year ended 31 December 2022.

The Company's parent undertaking, Inspiredspaces STaG (PSP2) Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Inspiredspaces STaG (PSP2) Limited are prepared in accordance with FRS 102 and are available to the public and may be obtained from 3 More London Riverside, London, SE1 2AQ. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Inspiredspaces STaG (PSP2) Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The company has taken advantage of the exemption in Section 33.1 A Related Party Disclosures not to disclose related party transactions between two or more members of a group provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule.

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

##### **Going concern**

The Company had net liabilities of £528,000 as at 31 December 2022 and generated a profit for the year then ended of £68,000. The net liabilities position is caused by the interest rate swap liability, which is a non cash item that does not affect the cashflows of the Company and the liability will be unwound over the life of the project

The Directors have prepared cash flow forecasts covering a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for that period and to operate within the covenants on its external borrowings.

Specifically, the Directors have considered if, in modelled severe but plausible downside scenarios, the level of operational performance of the Company would lead to service failure points being awarded against the Company in accordance with the terms of the Company's contract with the local authority sufficient to cause an event of default under the terms of the Company's external borrowings. To date, there has been no material adverse impact on the Company's cashflows, or the service levels provided and no indication of heightened risk of subcontractor failure. As a result, the cashflow forecasts indicate that, even in downside scenarios, the Company will be able to meet its liabilities as they fall due.

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

##### **Turnover**

Income received in respect of the service concession is allocated between revenue and capital repayment and interest income on the PFI financial asset using the effective interest rate method. Service revenue is recognised as non-pass-through operating and maintenance costs plus a margin.

Revenue and expenses are recognised on an accruals basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

**Notes to the Financial Statements - continued  
for the year ended 31 December 2022**

**1. ACCOUNTING POLICIES - continued**

**Taxation**

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

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 years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**Interest-bearing loans and borrowings**

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of the future payments discounted at a market rate of interest for a similar loan. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

**Short term debtors and creditors**

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the statement of comprehensive income in the administrative expenses.

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. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

**Derivative instruments and hedging**

Financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except for hedging instruments in a designated hedging relationship shall be recognised as set out below.

The company used derivative financial instruments in the form of interest rate swaps to reduce its exposure to interest rate fluctuations on the company's floating rate bank loan. The company has determined that its interest rate swap qualifies for hedge accounting under FRS 102. Accordingly the effective portion of the gain or loss on the interest rate swap is recognised directly in other comprehensive income in the cashflow hedge reserve, with the ineffective portion recognised in profit or loss. The hedging gain or loss accumulated in the cash flow hedge reserve is reclassified to the income statement when the hedged item is recognised in profit or loss or when the hedged future cash flows are no longer expected to occur.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value.

Derivatives are carried as assets when the fair value is positive and liabilities when the fair value is negative. The fair value of interest rate swap contracts is determined by calculating the present value of the estimated future cashflows based on observable yield curves.

The interest rate swap transitioned from LIBOR to SONIA during the year 2022. Facility Agreements with loan providers were also amended simultaneously to transition from LIBOR to SONIA. As a result, the group is not exposed to any additional risk as a result of the interest rate reform and the loans will remain effectively hedged.

Notes to the Financial Statements - continued  
for the year ended 31 December 2022

1. ACCOUNTING POLICIES - continued

Derivative instruments and hedging – continued

*Hedges directly affected by interest rate benchmark reform*

As a result of adopting the Amendments to FRS 102: Interest rate benchmark reform, the following temporary exceptions have been applied to hedging relationships that are directly affected by interest rate benchmark reform.

For the purpose of hedge accounting, it has been assumed that:

- the benchmark interest rate is not altered as a result of interest rate benchmark reform; and
- the interest rate benchmark cash flows designated as a hedge will not be altered as a result of interest rate benchmark reform in relation to assessing whether a previously designated forecast transaction in a discontinued cash flow hedge is still expected to occur.

The Company will cease to apply these temporary exceptions prospectively at the earlier of:

- the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows; or
- when the entire amount accumulated in the cash flow hedge reserve with respect to that hedging relationship is reclassified to profit or loss; or
- the hedging relationship is discontinued.

The Company adopted the Phase 2 amendments during the year. When the basis for determining the contractual cash flows of the hedged item or hedging instrument changes as a result of IBOR reform and therefore there is no longer uncertainty arising about the cash flows of the hedged item or the hedging instrument, the Company amends the hedge documentation of that hedging relationship to reflect the change(s) required by IBOR reform. For this purpose, the hedge designation is amended only to make one or more of the following changes:

- designating an alternative benchmark rate as the hedged risk;
- updating the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
- updating the description of the hedging instrument.

The Company amends the description of the hedging instrument only if the following conditions are met:

- it makes a change required by IBOR reform by changing the basis for determining the contractual cash flows of the hedging instrument or using another approach that is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument; and
- the original hedging instrument is not derecognised.

The Company amends the formal hedge documentation by the end of the reporting period during which a change required by IBOR reform is made to the hedged risk, hedged item or hedging instrument. These amendments in the formal hedge documentation do not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship.

If changes are made in addition to those changes required by IBOR reform described above, then the Company first considers whether those additional changes result in the discontinuation of the hedge accounting relationship. If the additional changes do not result in the discontinuation of the hedge accounting relationship, then the Company amends the formal hedge documentation for changes required by IBOR reform as mentioned above.

When the interest rate benchmark on which the hedged future cash flows had been based is changed as required by IBOR reform, for the purpose of determining whether the hedged future cash flows are expected to occur, the Company deems that the hedging reserve recognised in OCI for that hedging relationship is based on the alternative benchmark rate on which the hedged future cash flows will be based.

**Service concession - financial assets**

The company is a special purpose entity that has been established to provide services under certain private finance agreements with South Tyneside Council. Under the terms of these Agreements, the Authority controls the service to be provided by the Company over the contract term. Based on the contractual arrangements the Company has classified the project as a service concession arrangement and has accounted for the principal assets of and income streams from, the project in accordance with FRS 102, section 34.12 Service Concession Arrangement.

**Interest payable and receivable**

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions.

Other interest receivable and similar income include interest receivable on funds invested. Interest income and interest payable are recognised in profit or loss as they accrue. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established.

**Notes to the Financial Statements - continued  
for the year ended 31 December 2022**

**Judgements and key sources of estimation uncertainty**

The preparation of the 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. There are no significant estimates or judgements in the preparation of these financial statements.

**Cash and Cash equivalents**

Cash and Cash equivalents comprise cash balances

The Company is obligated to keep a separate cash reserve in respect of future maintenance and Lifecycle costs. This restricted cash balance, which is shown on the balance sheet within the "cash at bank" balance, amounts to £1,157,000 at the year end (2021: 1,061,000).

**2. STAFF COSTS AND DIRECTOR'S REMUNERATION**

The company has no employees and hence there were no staff costs for the year ended 31 December 2022 (2021: £nil). The Directors have no contract of service with the company (2021: none). Amounts payable to third parties in respect of Directors' services totalled £27,000 (2021: £23,000).

**3. OPERATING PROFIT**

The following costs were incurred during the year:

	2022	2021
	£'000	£'000
Auditor's remuneration - audit of these financial statements	<u>20</u>	<u>15</u>

**4. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2022	2021
	£'000	£'000
Interest on financial assets	<u>900</u>	<u>970</u>
	<u>900</u>	<u>970</u>

**5. INTEREST PAYABLE AND SIMILAR EXPENSES**

	2022	2021
	£'000	£'000
Bank borrowings	839	898
Amounts owed to shareholders	<u>196</u>	<u>206</u>
	<u>1,035</u>	<u>1,104</u>

**6. TAXATION**

**Analysis of the tax charge**

The tax charge on the profit for the year was as follows:

	2022	2021
	£'000	£'000
Current tax:		
UK corporation tax	<u>16</u>	<u>20</u>
Tax on profit	<u>16</u>	<u>20</u>

UK corporation tax has been charged at 19% (2021 - 19%).



**Inspiredspaces STaG (ProjectCo1) Limited**

**Notes to the Financial Statements - continued  
for the year ended 31 December 2022**

**6. TAXATION – continued**

**Reconciliation of effective tax rate**

The tax assessed for the year is the same as (2021: same as) the standard rate of corporation tax in the UK.

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Profit before tax	<u>84</u>	<u>108</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%)	<u>16</u>	<u>20</u>
Total tax charge	<u>16</u>	<u>20</u>

**Factors that may affect future tax charges**

An increase in the UK corporation tax rate from 19% to 25% (effective from 1 April 2023) was substantively enacted on 24 May 2021, and the UK deferred tax asset as at 31 December 2022 has been calculated based on this rate. This will have a consequential effect on the Company's future tax charge.

**Tax effects relating to effects of other comprehensive income**

	<b>Gross</b>	<b>2022</b>	<b>Net</b>
	<b>£'000</b>	<b>Tax</b>	<b>£'000</b>
Change in fair value of cash flow hedge	<u>3,219</u>	<u>(806)</u>	<u>2,413</u>

	<b>Gross</b>	<b>2021</b>	<b>Net</b>
	<b>£'000</b>	<b>Tax</b>	<b>£'000</b>
Change in fair value of cash flow hedge	<u>1,804</u>	<u>(103)</u>	<u>1,701</u>

**Reconciliation of total deferred tax**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Deferred tax on swap	<u>190</u>	<u>996</u>
Brought forward balance at 1 January	996	1,099
Effect of increase in future tax rates	(613)	(342)
Asset multiplied by the deferred rate of corporation tax in the UK of 19% (2021 – 19%)	<u>(193)</u>	<u>239</u>
Balance at 31 December	<u>190</u>	<u>996</u>

**7. DIVIDENDS**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Ordinary shares of £1 each		
Interim dividend	<u>49</u>	<u>73</u>

**Inspiredspaces STaG (ProjectCo1) Limited**

**Notes to the Financial Statements - continued  
for the year ended 31 December 2022**

**8. DEBTORS**

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Amounts receivable in respect of financial assets	1,243	1,263
Other debtors and accrued income	88	79
Corporation tax asset	<u>6</u>	<u>8</u>
	<b><u>1,337</u></b>	<b><u>1,350</u></b>

	2022 £'000	2021 £'000
Amounts falling due after more than one year:		
Amounts receivable in respect of financial assets	12,610	13,854
Deferred tax asset	<u>190</u>	<u>996</u>
	<b><u>12,800</u></b>	<b><u>14,850</u></b>

Aggregate amounts	<b><u>14,137</u></b>	<b><u>16,200</u></b>
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Deferred tax asset consists of:

	2022 £'000	2021 £'000
Fair value of Cash Flow Hedge	<u>190</u>	<u>996</u>

	2022 £'000
Balance at 1 January 2022	996
Movement in the year (note 6)	(806)
As at 31 December 2022	<b><u>190</u></b>

**9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2022 £'000	2021 £'000
Bank loans (Note 11)	1,282	1,286
Trade creditors	96	85
Amounts owed to group undertakings (Note 11)	132	134
Accruals and deferred income	<u>198</u>	<u>281</u>
	<b><u>1,708</u></b>	<b><u>1,786</u></b>

**10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2022 £'000	2021 £'000
Bank loans (Note 11)	13,126	14,198
Amounts owed to group undertakings (Note 11)	<u>1,497</u>	<u>1,581</u>
	<b><u>14,623</u></b>	<b><u>15,779</u></b>

**Inspiredspaces STaG (ProjectCo1) Limited****Notes to the Financial Statements - continued  
for the year ended 31 December 2022****11. LOANS**

An analysis of the maturity of the bank loan is given below:

	2022 £'000	2021 £'000
Repayment schedule of the bank loan:		
Wholly repayable within five years	5,546	5,561
Not wholly repayable within five years	<u>8,725</u>	<u>9,783</u>
	<u>14,271</u>	<u>15,344</u>

Bank borrowings relate to term loan facilities granted by the bank on 21 December 2007. The loan facility is for a total value of £26,866,000 comprising of a £23,530,000 term loan facility, a £1,831,000 equity bridge facility, a £1,125,000 debt service reserve facility and a £380,000 change in law facility. As at 31 December 2022 £14,271,000 (2021: £15,344,000) has been drawn comprising term loans only. There was £201,000 (2021: £214,000) of accrued interest and an effective interest rate adjustment of £64,000 (2021: £74,000) on these loans outstanding at the year end.

The term loan is repayable in six-monthly instalments ending on 30 April 2034. Interest is charged on amounts drawn under the facilities based on floating SONIA. The company has entered into an interest hedging agreement to be applied to the expected future borrowings under the facilities. The hedging agreements in respect of these loans fix the interest rate at 5.025% until 30 April 2034 using a cash flow hedge which is considered to be 100% effective for the year.

The facilities are secured, by way of first fixed charge, over all of the assigned rights which the company now has, its present and future interest in the securities and all other stocks, shares, debentures, bonds and other securities, all account monies, all benefits in respect of insurances, all book and other debts and other monies due, its present and future goodwill and its present and future uncalled capital. They are also secured by way of a floating charge over the whole of the charged assets being the whole of the property (including uncalled capital) which is or may be from time to time comprised in the property and undertaking of the charge.

An analysis of the maturity of the group loan is given below:

	2022 £'000	2021 £'000
Repayment schedule of the group loan:		
Wholly repayable within five years	462	455
Not wholly repayable within five years	<u>1,119</u>	<u>1,208</u>
	<u>1,581</u>	<u>1,663</u>

Amounts owed to group undertakings comprise loan stock of £1,581,000 (2021: £1,663,000) from Inspiredspaces STaG (Holdings1) Limited. These borrowings bear interest at 12% per annum and are repayable in instalments on or before September 2034. There was £48,000 (2021: £52,000) of accrued interest on these loans outstanding at the year end.

## Inspiredspaces STaG (ProjectCo1) Limited

### Notes to the Financial Statements - continued for the year ended 31 December 2022

#### 12. OTHER FINANCIAL LIABILITIES

	2022 £'000	2021 £'000
Swap Liability	<u>765</u>	<u>3,984</u>
		Swap liability £'000
Balance at 1 January 2022		3,984
Movement in fair value during the year		<u>(3,219)</u>
Balance at 31 December 2022		<u>765</u>

Interest rate swaps are valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The interest rate swap settles on a bi-annual basis. The floating rate on the interest rate swap is six months SONIA. The project will settle the difference between the fixed and floating interest rate on a net basis.

The fair value of these financial instruments at 31 December 2022 was a liability of £765,000 (2021: liability of £3,984,000). Gains of £3,219,000 (2021: gains of £1,804,000) were recognised in other comprehensive income and gains of £Nil (2021: gains of £Nil) in excess of the fair value of the hedging instruments over the change in the fair value of expected cash flows were recognised in profit or loss. £Nil (2021: £Nil) was reclassified to profit or loss for the period.

#### 13. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid: Number:	Class:	Nominal value:	2022 £'000	2021 £'000
10,000	Ordinary	£1	<u>10</u>	<u>10</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

#### 14. RELATED PARTY DISCLOSURES

In 2022 Inspiredspaces STaG Limited was restructured out of the project structure, leading to Amber Asset Management Limited to assume management and Director services.

The Company received Director services from, South Tyneside Council, which has significant influence in the company, at a cost of £7,000 (2021: £5,000). The Company also incurred insurance fees to South Tyneside Council during the period at a cost of £71,000 (2021: £81,000). The Company owed South Tyneside Council £19,000 (2021: £83,000) at the year end.

#### 15. ULTIMATE PARENT COMPANY

The Directors regard Inspiredspaces STaG (Holdings1) Limited, an entity incorporated in England and Wales as the immediate parent undertaking and controlling party and International Public Partnerships Limited, a company registered in Guernsey as the ultimate parent undertaking and controlling party. Copies of the consolidated financial statements of Inspiredspaces STaG (PSP2) Limited, the smallest and largest group of which the company is a member and for which group financial statements are prepared, can be obtained from the registered address at 3 More London Riverside, London, SE1 2AQ.