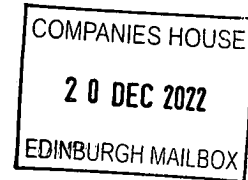
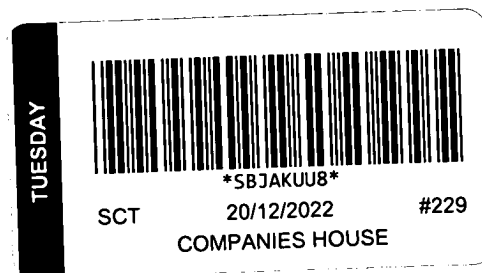


**REGISTERED NUMBER: 07017410 (England and Wales)**



**Directors' Report and  
Audited Financial Statements for the Year Ended 31 December 2021  
for  
Inspiredspaces Rochdale (Projectco1) Limited**



**Inspiredspaces Rochdale (Projectco1) Limited (Registered number: 07017410)**

**Contents of the Financial Statements for the Year Ended 31 December 2021**

	Page
Company Information	1
Directors' Report	2
Statement of Directors' Responsibilities	5
Independent Auditor's Report	6
Profit and Loss Account and Other Comprehensive Income	10
Balance Sheet	11
Statement of Changes in Equity	12
Notes to the Financial Statements	13

**Inspiredspaces Rochdale (Projectco1) Limited (Registered number: 07017410)**

**Company Information for the Year Ended 31 December 2021**

**Directors:**

Keith Joseph Edwards  
Peter Kenneth Johnstone  
Matthew Templeton  
Stephen Thomas Kay

**Secretary:**

Resolis Limited

**Registered office:**

C/O Dalmore Capital Limited  
5<sup>th</sup> Floor, Watling House  
33 Cannon Street  
London  
United Kingdom  
EC4M 5SB

**Registered number:**

07017410 (England and Wales)

**Independent auditor:**

Johnston Carmichael LLP  
7-11 Melville Street  
Edinburgh  
EH3 7PE

**Bankers:**

Barclays Bank Plc  
1 Churchill Place  
London  
E14 5HP

**Solicitors:**

Pinsent Masons LLP  
58 Morrison Street  
Edinburgh  
EH3 8BP

## **Inspiredspaces Rochdale (Projectco1) Limited (Registered number: 07017410)**

### **Directors' Report for the Year Ended 31 December 2021**

The Directors present their report with the audited financial statements of Inspiredspaces Rochdale (Projectco1) Limited ("the Company") for the year ended 31 December 2021.

#### **Principal activities**

The principal activities of the Company are the design, redevelopment, financing and operation of a school 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 Rochdale Borough Council ("the Council"). This agreement together with a loan facilities agreement, a construction contract, a facilities management contract and other related contracts was signed on 11 January 2010. Construction of the school commenced in January 2010 and was completed in September 2011.

#### **Business review and future developments**

Following the liquidation of the Building Contractor in 2018, the liability for the rectification of all defects fell to the Company. Defect works are substantially complete and have been funded from the lifecycle reserve. There were two Events of Default during the year, both in relation to the Annual Debt Service Cover Ratio, because of extensive defect works completed in the year. All rectification costs are included in the most recent financial model and all future DSCR ratios will be met.

#### **Going concern**

The Directors have prepared cash flow forecasts which indicate that the Company will have sufficient funds to meet its liabilities as they fall due for a period of at least twelve months from the date of signing these accounts. Further information on the Directors' assessment, including the consideration of the ongoing impact of COVID-19, is contained within note 1.

As a result of the breaches to the Annual Debt Service Cover Ratio noted in the "Business review and future developments" section above, the bank loans have been presented as wholly due within one year. Subsequent to the year end, all covenant ratios have been complied with and the relationship with the Lender remains strong.

The shareholder's funds at 31 December 2021 show a deficit of £4,192,000 (2020: £6,438,000). This arises from the recognition of the Company's swap liability at fair value. The Company has a secured bank facility that will enable it to continue trading for the life of the concession period. The Directors have reviewed the forecast and believe that the financial position will strengthen in the future and therefore consider that it is appropriate to prepare these financial statements on a going concern basis.

#### **Dividends**

The results for the year are shown in the profit and loss account.

The Company paid a dividend of £nil during the year (2020: £nil).

#### **Events since the end of the year**

Information relating to events since the end of the year is given in note 18 to the financial statements.

#### **Directors**

The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

Keith Joseph Edwards

Peter Kenneth Johnstone

Matthew Templeton

David Wilcock (resigned 1 January 2021)

Stephen Thomas Kay (appointed 1 January 2021)

Asif Ismail Ibrahim (appointed 1 January 2021, resigned 19 August 2022)

## **Inspiredspaces Rochdale (Projectco1) Limited (Registered number: 07017410)**

### **Directors' Report for the Year Ended 31 December 2021**

#### **Key performance indicators**

##### **1. Performance deductions under the service contract**

Financial penalties are levied by the Authority in the event of performance standards not being achieved according to detailed criteria set out in the Project Agreement. The deductions are passed on to the service provider, but the quantum is an indication of unsatisfactory performance. In the year ended 31 December 2021 there were £124,000 of deductions (2020: £259,000).

##### **2. Financial performance**

A key management tool is the financial model which covers the entire concession period and reflects the business's contracts with the Council, suppliers and providers of funds. Management compares actual performance against the financial model on a regular basis. The model indicates that sufficient funding is expected to be available for the Company to settle its liabilities in the normal course of business, assuming that the lenders do not call in the loan balance owed to them.

#### **Principal risks and uncertainties**

The Company has taken on the activity, as detailed above, and is risk averse in its trading relationships with its customers, funders and sub-contractors as determined by the terms of their respective detailed Private Finance Initiative agreement and other contracts. The financial risks and the measures taken to mitigate them are as detailed in the following section.

#### **Financial risk management**

The Company has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effects on the Company's performance. The Directors have policies for managing each of these risks and they are summarised below:

##### **Interest Rate Risk**

The term loan is exposed to interest rate risk. The Company has entered into a fixed interest rate swap to avoid volatility on debt service costs on its floating rate debt. The unsecured loan stock is not exposed to interest rate risk.

##### **Lifecycle risk**

The Company has responsibility for lifecycle costs and takes the risk that its projections for ongoing costs are adequate. These projections have been agreed with third parties and are subject to regular review by the Directors. A cash lifecycle fund is held by the Company to cover future anticipated replacement costs and will be utilised in reimbursing the sub-contractor for the profiled costs.

##### **Inflation risk**

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

##### **Liquidity risk**

The model indicates that sufficient funding is expected to be available for the Company to settle its liabilities in the normal course of business, assuming that the lenders do not call in the loan balance owed to them.

##### **Credit risk**

The Company receives the majority of its revenue from the Council and is not exposed to significant credit risk. Cash investments are with institutions of a suitable credit quality.

#### **Strategic Report exemption**

No Strategic Report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption under section 415 of the Companies Act 2006.

**Inspiredspaces Rochdale (Projectco1) Limited (Registered number: 07017410)**

**Directors' Report for the Year Ended 31 December 2021**

**Statement as to disclosure of information to auditor**

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

**Auditor**

Pursuant to Section 487 of the Companies Act 2006, the independent auditors will be deemed to be re-appointed and Johnston Carmichael LLP will therefore continue in office.

On behalf of the board:

*Peter Johnstone*

.....  
P K Johnstone - Director

19-12-22  
Date: .....

**Inspiredspaces Rochdale (Projectco1) Limited (Registered number: 07017410)**

**Statement of Directors' Responsibilities for the Year Ended 31 December 2021**

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

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping 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.

The Directors 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.

## **Independent Auditor's Report to the Members of Inspiredspaces Rochdale (Projectco1) Limited (Registered number: 07017410)**

### **Opinion**

We have audited the financial statements of Inspiredspaces Rochdale (Projectco1) Limited (the 'Company') for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and notes to the financial statements, including 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 31 December 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 Auditor's 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 UK, including the FRC'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.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's 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. 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.

### **Opinions 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.



## **Independent Auditor's Report to the Members of Inspiredspaces Rochdale (Projectco1) Limited (Registered number: 07017410)**

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

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in 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; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

### **Responsibilities of Directors**

As explained more fully in the Statement of Directors' Responsibilities 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, 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.

### **Auditor's 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 auditor's 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.

### *Extent to which the audit was considered capable of detecting irregularities, including fraud*

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 specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below.

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

## **Independent Auditor's Report to the Members of Inspiredspaces Rochdale (Projectco1) Limited (Registered number: 07017410)**

### *Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)*

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- FRS 102
- Companies Act 2006
- Corporation Tax legislation
- VAT legislation

We gained an understanding of how the company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries by review of submitted returns and board meeting minutes.

We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk.

The following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance for any breaches of laws and regulations or for any indication of any potential litigation and claims, and events and conditions that could indicate an incentive or pressure to commit fraud or provide opportunity to commit fraud;
- Reviewing the level of and reasoning behind the company's procurement of legal and professional services;
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias; and
- Agreement of the financial statement disclosures to supporting documentation.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed noncompliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

**Independent Auditor's Report to the Members of Inspiredspaces Rochdale (Projectco1)  
Limited (Registered number: 07017410)**

**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 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.

*Johnston Carmichael LLP*

**Grant Roger (Senior Statutory Auditor)  
For and on behalf of Johnston Carmichael LLP**

**19 December 2022**  
.....

**Chartered Accountants  
Statutory Auditor**

**7-11 Melville Street  
Edinburgh**

**Inspiredspaces Rochdale (Projectco1) Limited (Registered number: 07017410)****Profit and Loss Account & Other Comprehensive Income for the Year Ended 31 December 2021**

	Notes	2021 £'000	2020 £'000
<b>Turnover</b>	<b>3</b>	<b>2,235</b>	<b>1,989</b>
Cost of sales		<u>(1,495)</u>	<u>(1,416)</u>
<b>Gross profit</b>		<b>740</b>	<b>573</b>
Administrative expenses		<u>(264)</u>	<u>(260)</u>
<b>Operating profit</b>	<b>5</b>	<b>476</b>	<b>313</b>
Interest receivable and similar income	<b>6</b>	<b>1,234</b>	<b>1,319</b>
Interest payable and similar expenses	<b>7</b>	<u>(1,839)</u>	<u>(1,840)</u>
<b>Loss before taxation</b>		<b>(129)</b>	<b>(208)</b>
Tax on loss	<b>8</b>	<u>67</u>	<u>47</u>
<b>Loss for the financial year</b>		<u><b>(62)</b></u>	<u><b>(161)</b></u>
<b>Other comprehensive income/(loss)</b>			
Change in fair value of interest rate swap		<b>2,484</b>	<b>(604)</b>
Income tax relating to other comprehensive income/(loss)		<u>(176)</u>	<u>251</u>
<b>Other comprehensive income/(loss) for the year, net of income tax</b>		<u><b>2,308</b></u>	<u><b>(353)</b></u>
<b>Total comprehensive income/(loss) for the year</b>		<u><u><b>2,246</b></u></u>	<u><u><b>(514)</b></u></u>

The notes form part of these financial statements

**Inspiredspaces Rochdale (Projectco1) Limited (Registered number: 07017410)****Balance Sheet at 31 December 2021**

	Notes	2021 £'000	2020 £'000
<b>Current assets</b>			
Debtors due within one year	9	5,119	4,809
Debtors due after one year	9	15,443	16,573
Cash at bank		3,488	3,485
		<u>24,050</u>	<u>24,867</u>
Creditors: amounts falling due within one year	10	(21,735)	(22,276)
<b>Net current assets</b>		<u>2,315</u>	<u>2,591</u>
<b>Total assets less current liabilities</b>		2,315	2,591
Creditors: amounts falling due after more than one year	11	(6,507)	(9,029)
<b>Net liabilities</b>		<u>(4,192)</u>	<u>(6,438)</u>
<b>Capital and reserves</b>			
Called up share capital	15	10	10
Cash flow hedging reserve	15	(3,699)	(6,007)
Retained earnings	15	(503)	(441)
		<u>(4,192)</u>	<u>(6,438)</u>

19-12-22

The financial statements were approved by the Board of Directors and authorised for issue on .....  
and were signed on its behalf by:

*Peter Johnstone*  
.....  
P K Johnstone - Director

The notes form part of these financial statements

**Inspiredspaces Rochdale (Projectco1) Limited (Registered number: 07017410)****Statement of Changes in Equity for the Year Ended 31 December 2021**

	<b>Called up share capital £'000</b>	<b>Retained Earnings £'000</b>	<b>Cash flow Hedging Reserves £'000</b>	<b>Total Equity £'000</b>
<b>Balance at 1 January 2020</b>	10	(280)	(5,654)	(5,924)
<b>Changes in Equity</b>				
Total comprehensive loss	-	(161)	(353)	(514)
<b>Balance at 31 December 2020</b>	<b>10</b>	<b>(441)</b>	<b>(6,007)</b>	<b>(6,438)</b>
<b>Changes in Equity</b>				
Total comprehensive income	-	(62)	2,308	2,246
<b>Balance at 31 December 2021</b>	<b>10</b>	<b>(503)</b>	<b>(3,699)</b>	<b>(4,192)</b>

The notes form part of these financial statements

## Inspiredspaces Rochdale (Projectco1) Limited (Registered number: 07017410)

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 1. Statutory information

Inspiredspaces Rochdale (Projectco1) Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK with Registered Office as disclosed on the Company Information page.

#### 2. Accounting policies

##### 2.1. Basis of preparing the financial statements

These financial statements were prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 102. The presentation currency of these financial statements is sterling, which is the functional currency of the Company. All amounts in the financial statements have been rounded to the nearest £1,000.

##### Measurement convention

The financial statements are prepared on the historical cost basis except for derivative financial instruments which are held at fair value.

##### FRS 102 - reduced disclosure exemptions

The Company's parent undertaking, Inspiredspaces Rochdale (Holdings1) Limited includes the Company in its consolidated financial statements. The consolidated financial statements of the largest group are prepared in accordance with FRS 102 and are available to the public and may be obtained from C/O Dalmore Capital Limited, Watling House, Cannon Street, London, United Kingdom, EC4M 5SB.

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.

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

##### Transition to SONIA

In anticipation of the London Interbank Offered Rate ("LIBOR") being discontinued, an amendment to the Credit Agreement with the Lender was signed subsequent to the year end on 2 February 2022 to update the interest calculation basis on the Company's bank loan from LIBOR to Sterling Overnight Index Average ("SONIA").

Debt interest calculations will continue to be determined using LIBOR up to and including the 31 March 2022 semi-annual payment date. With effect from 1 April 2022, SONIA will be applied in calculating interest due on the bank loan, with the first payment date under SONIA being 30 September 2022.

The Company has an interest rate swap in place and it is anticipated that there will be no financial impact from this change (other than one-off professional fees).

##### 2.2. Going concern

In assessing the going concern status of the Company, and with due regard to potential implications of the ongoing COVID pandemic, the Directors have reviewed the Company's projected profits and cash flows by reference to a financial model covering accounting periods up to December 2036. In light of the Government's Procurement Policy Note (PPN 02/20), the Directors are satisfied that future income streams are secure and therefore that cash inflows are not impaired.

## Inspiredspaces Rochdale (Projectco1) Limited (Registered number: 07017410)

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 2.2 Going concern (continued)

As stated in the Directors' Report, the Company breached certain bank loan covenants during the year and also breached covenants in the comparative year. These breaches were driven by additional expenditure for defect rectification costs, works for which were completed by the end of the current financial year. All subsequent covenants up to the date of signing these accounts have been met and the latest financial model forecasts that all covenants will be met for the remainder of the concession period. Given that there was a technical breach at the year end, the bank loan has been presented as all due within one year. The Directors do not believe that there are any longer-term going concern implications.

The shareholder's funds at 31 December 2021 show a deficit of £4,192,000 (2020: £6,438,000). This predominantly arises from the recognition of the Company's swap liability at fair value. The Company has a secured bank facility that will enable it to continue trading for the concession period (note 12).

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.

#### 2.3. Judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Certain critical accounting judgements in applying the Company's accounting policies are described below:

- Accounting for the service concession contract and finance debtors requires estimation of a finance debtor interest rate (Note 6).
- Fair values for derivative contracts (Note 13) are based on mark-to-market valuations provided by the contract counterparty. Whilst these can be tested for reasonableness, the exact valuation methodology and forecast assumptions for future interest rates or inflation rates are specific to the counterparty.
- Future lifecycle costs are forecast based on detailed plans prepared annually. These forecasts impact the calculation of the service margin being applied. Lifecycle costs can have a significant impact on the Company's profitability.

#### 2.4. Financial instruments

##### (a) Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

##### (b) Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

##### (c) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

##### (d) Restricted cash

The Company is obligated to keep a separate cash reserve in respect of future major maintenance costs. This restricted cash balance, which is shown on the balance sheet within the "cash at bank" balance, amounts to £868,118 at the year-end (2020: £709,067).



## Inspiredspaces Rochdale (Projectco1) Limited (Registered number: 07017410)

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 2.5. Other financial instruments

##### **Financial instruments not considered to be Basic financial instruments (Other financial instruments)**

Other 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 as follows:

- hedging instruments in a designated hedging relationship shall be recognised as set out below.

##### **Derivative financial instruments and hedging**

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

#### 2.6. Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in Other Comprehensive Income (OCI). Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively, when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

#### 2.7. 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.

#### 2.8. Deferred tax

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 not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

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.

Impairment excluding deferred tax assets

## **Inspiredspaces Rochdale (Projectco1) Limited (Registered number: 07017410)**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

#### **2.9. Financial assets (including trade and other debtors)**

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.

#### **2.10. Service concession - financial assets**

The Company is a special purpose entity that has been established to provide services under certain private finance agreements with Rochdale Borough Council (the Council). Under the terms of these Agreements, the Council 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.

The Company is an operator of a PFI contract. The underlying asset is not deemed to be an asset of the Company under FRS102 section 34C, because the risks and rewards of ownership as set out in that Standard are deemed to lie principally with the Council.

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. During the operational phase income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover. The Company recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

The Company has taken advantage of the exemption contained within 35.10 (i) of FRS 102 not to apply 34.12I-35.16A to its PFI service concession arrangement (the finance debtor). Accordingly, the service concession arrangement has continued to be accounted for using the same accounting policies that applied at the date of transition to FRS 102. Major maintenance costs are recognised on a contractual basis and the revenue in respect of these services is recognised when these services are performed.

#### **2.11. Interest receivable and interest payable**

Interest payable and similar charges include interest payable on borrowings and associated ongoing financing fees.

Other interest receivable and similar income include interest receivable on funds invested and interest recognised on the finance debtor based upon the finance debtor accounting policy above.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

#### **3. Turnover**

The turnover is attributable to the one principal activity of the Company and arose entirely within the United Kingdom.

**Inspiredspaces Rochdale (Projectco1) Limited (Registered number: 07017410)****Notes to the Financial Statements for the Year Ended 31 December 2021****4. Employees and Directors**

There were no employees during the year (2020: none).

The Directors received no remuneration for their services during the year (2020: £nil) and no other corporate entity within the wider group structure received remuneration for Directors' services during the year (2020: £nil).

**5. Operating profit**

The operating profit is stated after charging:

	2021 £'000	2020 £'000
Auditor's remuneration - Audit of these financial statements	16	11

**6. Interest receivable and similar income**

	2021 £'000	2020 £'000
Deposit account interest	-	5
Finance debtor interest	1,234	1,314
	1,234	1,319

**7. Interest payable and similar expenses**

	2021 £'000	2020 £'000
Interest payable on bank loans	1,379	1,427
Other interest payable	460	413
	1,839	1,840

**8. Taxation****Analysis of the tax credit**

The tax credit on the loss for the year was as follows:

	2021 £'000	2020 £'000
Deferred tax	(67)	(47)
Tax on loss	(67)	(47)

UK corporation tax has been charged at 19% (2020 - 19%) and deferred tax has been charged at 25% (2020 - 19%).

**Inspiredspaces Rochdale (Projectco1) Limited (Registered number: 07017410)****Notes to the Financial Statements for the Year Ended 31 December 2021****8. Taxation (continued)****Reconciliation of total tax credit included in profit and loss**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Loss before tax	<u>(129)</u>	<u>(208)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	(32)	(39)
Effects of:		
Adjustment to charge for deferred taxation rate	(7)	-
Effect of change in tax rate on deferred tax on losses carried forward	<u>(35)</u>	<u>(8)</u>
Total tax credit	<u>(67)</u>	<u>(47)</u>

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

	<b>Gross</b>	<b>Tax</b>	<b>Net</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>For the year ended 31 December 2021:</b>			
Change in fair value of interest rate swap	<u>2,484</u>	<u>(176)</u>	<u>2,308</u>
<b>For the year ended 31 December 2020:</b>			
Change in fair value of interest rate swap	<u>(604)</u>	<u>251</u>	<u>(353)</u>

**Effects of changes to future tax rates**

Corporation tax will remain at 19% until March 2023. From 2023 the main rate will increase to 25% for business profits made by the Company over £250,000. A small profit rate (SPR) will also be introduced for companies with profits of £50,000 or less so that they will continue to pay corporation tax at 19%. Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective corporation tax rate. The Company has assessed the impact of this change and consider that the full rate of 25% will apply.

**Inspiredspaces Rochdale (Projectco1) Limited (Registered number: 07017410)****Notes to the Financial Statements for the Year Ended 31 December 2021****9. Debtors**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Amounts falling due within one year:		
Trade debtors	<b>5</b>	<b>2</b>
Finance debtor	<b>1,021</b>	<b>1,020</b>
Prepayments	<b>4,093</b>	<b>3,787</b>
	<b>5,119</b>	<b>4,809</b>
Amounts falling due after more than one year:		
Finance debtor	<b>14,033</b>	<b>15,054</b>
Deferred tax asset	<b>1,410</b>	<b>1,519</b>
	<b>15,443</b>	<b>16,573</b>
Aggregate amounts	<b>20,562</b>	<b>21,382</b>

The deferred tax asset is comprised of the following amounts:

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Tax losses carried forward	<b>178</b>	<b>110</b>
Other timing differences	<b>1,232</b>	<b>1,409</b>
	<b>1,410</b>	<b>1,519</b>

**10. Creditors: amounts falling due within one year**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans and overdrafts (see note 12)	<b>18,349</b>	<b>19,125</b>
Trade creditors	<b>51</b>	<b>303</b>
Amounts owed to group undertakings	<b>1,876</b>	<b>153</b>
VAT	<b>112</b>	<b>36</b>
Swap liability (see note 12)	<b>876</b>	<b>908</b>
Accrued expenses	<b>471</b>	<b>1,729</b>
	<b>21,735</b>	<b>22,276</b>

An Event of Default in respect of the bank loan's ADSCR covenant occurred at both March 2021 and September 2021. As a result, the loan was in technical default at the year end and has accordingly been presented as wholly due within one year. A similar Event of Default also occurred in the comparative year and the bank loan was similarly presented as wholly due within one year as at 31 December 2020.

All subsequent ADSCR covenants have passed the default threshold up to and including the date of signing of these financial statements and all projected covenants are expected to be complied with for the remainder of the loan term.

**Inspiredspaces Rochdale (Projectco1) Limited (Registered number: 07017410)****Notes to the Financial Statements for the Year Ended 31 December 2021****11. Creditors: amounts falling due after more than one year**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans (see note 12)	-	-
Amounts owed to group undertakings	<b>2,452</b>	2,521
Swap liability (see note 12)	<b>4,055</b>	6,508
	<b><u>6,507</u></b>	<b><u>9,029</u></b>

**12. Loans**

An analysis of the maturity of loans is given below:

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Bank loans</b>		
Due within 1 year	<b>18,349</b>	19,125
Due between 1 and 2 years	-	-
Due between 2 and 5 years	-	-
Due over 5 years	-	-
	<b><u>18,349</u></b>	<b><u>19,125</u></b>

Bank borrowings relate to term loan facilities granted by the bank on 11 January 2011. The loan facility were for a total value of £27,563,000 comprising of a £24,783,000 term loan facility and a £2,780,000 equity bridge facility. As at 31 December 2021 £18,349,000 (2020: £19,125,000) remains outstanding, comprising £18,349,000 (2020: £19,750,000) term loan. There were £273,000 unamortised issue costs on the term loan as at 31 December 2021 (2020: £287,000).

**Terms and debt repayment schedule**

	<b>Currency</b>	<b>Nominal interest rate</b>	<b>Year of maturity</b>	<b>Repayment schedule</b>	<b>2021</b>	<b>2020</b>
					<b>£'000</b>	<b>£'000</b>
Bank loan	GBP	4.77%	2036	Semi-annual	<b>18,349</b>	19,125
Subordinated debt	GBP	11.55%	2036	Semi-annual	<b>2,680</b>	2,688

The bank loan comprises a Senior Loan facility repayable in semi-annual instalments by February 2036. Interest charged on amounts drawn under the Senior Loan facility is based on the floating LIBOR rate. All amounts drawn under the facilities are secured by fixed and floating charges over the total assets of the Company. The Company has entered into an interest hedging agreement which fixes the interest rate at 4.765% until 29 February 2036. The fair value of this financial instrument at 31 December 2021 was a liability of £4,931,000 (2020: liability of £7,416,000).

The subordinated debt comprises of loan stock repayable to the parent company. Interest charged on the loan stock amount is based on the fixed nominal interest rate. The subordinated debt is unsecured.

**Inspiredspaces Rochdale (Projectco1) Limited (Registered number: 07017410)****Notes to the Financial Statements for the Year Ended 31 December 2021****12. Loans (continued)**

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 project will settle the difference between the fixed and floating interest rate on a net basis. A gain of £2,484,000 (2020: loss of £604,000) was recognised in other comprehensive income and gains of £Nil (2020: 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. An amount of £nil (2020: £nil) was reclassified to profit or loss for the year.

**13. Financial instruments****(a) Carrying amount of financial instruments**

The carrying amounts of the financial assets include:

	2021 £'000 Carrying amount	2020 £'000 Carrying amount
Assets measured at amortised cost:		
- Finance debtor	15,054	16,074
- Trade and other debtors	4,098	3,817
	<u>19,152</u>	<u>19,981</u>
Assets measured at cost less impairment:		
- Cash and cash equivalents	3,488	3,485
	<u>3,488</u>	<u>3,485</u>
Liabilities measured at amortised cost:		
- Trade and other payables	(2,282)	(2,097)
- Bank loan	(18,349)	(19,125)
- Subordinated debt	(2,680)	(2,674)
	<u>(23,311)</u>	<u>(23,896)</u>
Liabilities measured at fair value through other comprehensive income		
- Interest rate swap	(4,931)	(7,416)

**(b) Financial instruments measured at fair value****Derivative financial instruments**

The fair value of the interest rate swap is based on broker valuations from the counter party.

The Company has entered into an interest rate swap agreement under the bank loan which expires in February 2036. A fixed rate of 4.765% applies to all amounts drawn under the facilities plus the margins shown above. The interest rate swap converts the borrowings from the rates linked to LIBOR to the fixed rate above.

**Inspiredspaces Rochdale (Projectco1) Limited (Registered number: 07017410)****Notes to the Financial Statements for the Year Ended 31 December 2021****14. Deferred tax asset**

	£'000
Balance at 1 January 2021	1,519
Credit to Profit and Loss Account and Other Comprehensive Income during year	67
Change in fair value of swap	(176)
<b>Balance at 31 December 2021</b>	<b>1,410</b>

Deferred tax asset is recognised on the revaluation of the swap derivatives on the interest rate swap held by the Company and on trading losses carried forward.

As noted in Note 8, the substantively enacted rate of Corporation Tax as at 31 December 2021 was 25% (2020: 19%). The closing deferred tax asset has therefore been revalued at 25% (2020: 19%).

**15. Called up share capital**

Allotted, issued and fully paid:

	2021 £'000	2020 £'000
10,000 Ordinary £1 shares	<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.

**Cash flow hedging reserve**

	2021 £'000	2020 £'000
Cash flow hedging reserve	<u>(3,699)</u>	<u>(6,007)</u>

The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedge instruments related to hedged transactions that have not yet occurred.

**Retained earnings**

Retained earnings contains the cumulative retained earnings carried forward less distributions to shareholders.



**Inspiredspaces Rochdale (Projectco1) Limited (Registered number: 07017410)****Notes to the Financial Statements for the Year Ended 31 December 2021****16. Ultimate parent company**

The Company is a subsidiary undertaking of Inspiredspaces Rochdale (Holdings1) Limited which is the intermediate parent company incorporated in the United Kingdom.

Inspiredspaces Rochdale (Holdings1) Limited is 90% owned by Dalmore Capital (Rochdale) Ltd and 10% owned by Inspiredspaces Rochdale Limited.

The largest group in which the results of the Company are consolidated is that headed by Inspiredspaces Rochdale (Holdings1) Limited, incorporated in the United Kingdom. No other group financial statements include the results of the Company. The consolidated financial statements of the largest group are available to the public and may be obtained from C/O Dalmore Capital Limited, Watling House, Cannon Street, London, United Kingdom, EC4M 5SB.

**17. Related party disclosures****George Street Asset Management Limited**

A company in which P K Johnstone is a shareholder.

Consultancy fees of £nil (2020: £1,000) were paid during the year.

**Inspiredspaces Rochdale Limited**

10% shareholder of Inspiredspaces Rochdale (Holdings1) Limited

	2021 £'000	2020 £'000
Fees for management services	-	5

**Inspiredspaces Rochdale (Projectco2) Limited**

A company with the same Directors and ultimate parent company.

Net recharges of fees for project management, legal and annual energy reconciliation services of £nil (2020: £9,000) were paid in the year.

**18. Subsequent events**

As stated in Note 2.1 "Transition to SONIA", on 2 February 2022 an amendment was signed with the Lender to change the interest rate calculation basis on the bank loan from LIBOR to SONIA. No other changes were made to the Credit Agreement from this amendment.

The Directors have reviewed the financial impact of this change and do not anticipate any impact on the current year's results or future performance. The existing interest rate swap will still provide the same effective rate of interest for the remainder of the loan facility.