

Company Registration No. 07017410 (England and Wales)

INSPIREDSPACES ROCHDALE (PROJECTCO1) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022



INSPIREDSPACES ROCHDALE (PROJECTCO1) LIMITED

COMPANY INFORMATION

Directors	P K Johnstone S T Kay M Templeton K J Edwards
Secretary	Resolis Limited
Company number	07017410
Registered office	1 Park Row Leeds United Kingdom LS1 5AB
Auditor	Johnston Carmichael LLP 7 - 11 Melville Street Edinburgh EH3 7PE

INSPIREDSPACES ROCHDALE (PROJECTCO1) LIMITED

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INSPIREDSPACES ROCHDALE (PROJECTCO1) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements of Inspiredspaces Rochdale (Projectco1) Limited ("the Company") for the year ended 31 December 2022.

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.

Directors

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

Al Ibrahim
P K Johnstone
S T Kay
M Templeton
K J Edwards

(Resigned 19 August 2022)

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 these financial statements, the directors are required to:

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

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

Auditor

The auditor, Johnston Carmichael LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

INSPIREDSPACES ROCHDALE (PROJECTCO1) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Small companies exemption

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board



.....
M Templeton
Director

28 / 06 / 2023

Date:

INSPIREDSAPES ROCHDALE (PROJECTCO1) LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF INSPIREDSAPES ROCHDALE (PROJECTCO1) LIMITED

Opinion

We have audited the financial statements of Inspiredspaces Rochdale (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, Statement of Cash Flows 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 2022 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 our 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.

INSPIREDSAPES ROCHDALE (PROJECTCO1) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF INSPIREDSAPES ROCHDALE (PROJECTCO1) LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters where 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 1 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.

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.

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.

INSPIREDSAPES ROCHDALE (PROJECTCO1) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF INSPIREDSAPES ROCHDALE (PROJECTCO1) LIMITED

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 taxes legislation; and
- 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 through our review of any relevant correspondence with regulatory bodies 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. We identified a heightened fraud risk in relation to:

- Management override of controls; and
- Revenue recognition.

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;
- Completion of appropriate checklists and use of our experience to assess the Company's compliance with the Companies Act 2006; 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 non-compliance 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.


INSPIREDSAPES ROCHDALE (PROJECTCO1) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF INSPIREDSAPES ROCHDALE (PROJECTCO1) LIMITED

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.



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

28 / 06 / 2023

Date:

Chartered Accountants
Statutory Auditor

7 - 11 Melville Street
Edinburgh
EH3 7PE

INSPIREDSPACES ROCHDALE (PROJECTCO1) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £	2021 £
Turnover	2,335,806	2,235,375
Cost of sales	(1,737,049)	(1,494,568)
Gross profit	598,757	740,807
Administrative expenses	(285,448)	(265,122)
Operating profit	313,309	475,685
Interest receivable and similar income	1,187,700	1,234,246
Interest payable and similar expenses	(1,879,234)	(1,839,281)
Loss before taxation	(378,225)	(129,350)
Tax on loss	94,613	67,195
Loss for the financial year	(283,612)	(62,155)
Other comprehensive income		
Cash flow hedges gain arising in the year	4,227,736	2,485,221
Tax relating to other comprehensive income	(1,056,935)	(176,345)
Total comprehensive income for the year	2,887,189	2,246,721

INSPIRESPACES ROCHDALE (PROJECTCO1) LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2022

	Notes	2022 £	£	2021 £	£
Current assets					
Debtors falling due after more than one year	5	13,460,521		15,443,436	
Debtors falling due within one year	5	5,359,231		5,118,786	
Cash at bank and in hand		3,313,825		3,487,557	
		<u>22,133,577</u>		<u>24,049,779</u>	
Creditors: amounts falling due within one year	7	<u>(4,648,705)</u>		<u>(21,734,190)</u>	
Net current assets			17,484,872		2,315,589
Creditors: amounts falling due after more than one year	8		<u>(18,788,979)</u>		<u>(6,506,885)</u>
Net liabilities			<u><u>(1,304,107)</u></u>		<u><u>(4,191,296)</u></u>
Capital and reserves					
Called up share capital			10,000		10,000
Hedging reserve	9		(527,273)		(3,698,074)
Profit and loss reserves	10		<u>(786,834)</u>		<u>(503,222)</u>
Total equity			<u><u>(1,304,107)</u></u>		<u><u>(4,191,296)</u></u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

28 / 06 / 2023

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

Matthew Templeton

M Templeton
Director

Company Registration No. 07017410

INSPIREDSPACES ROCHDALE (PROJECTCO1) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital £	Hedging reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2021	10,000	(6,006,950)	(441,067)	(6,438,017)
Year ended 31 December 2021:				
Loss for the year	-	-	(62,155)	(62,155)
Other comprehensive income:				
Cash flow hedges gains	-	2,485,221	-	2,485,221
Tax relating to other comprehensive income		(176,345)	-	(176,345)
Total comprehensive income for the year		2,308,876	(62,155)	2,246,721
Balance at 31 December 2021	10,000	(3,698,074)	(503,222)	(4,191,296)
Year ended 31 December 2022:				
Loss for the year	-	-	(283,612)	(283,612)
Other comprehensive income:				
Cash flow hedges gains	-	4,227,736	-	4,227,736
Tax relating to other comprehensive income		(1,056,935)	-	(1,056,935)
Total comprehensive income for the year	-	3,170,801	(283,612)	2,887,189
Balance at 31 December 2022	10,000	(527,273)	(786,834)	(1,304,107)

INSPIREDSPACES ROCHDALE (PROJECTCO1) LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	£	2021 £	£
Cash flows from operating activities					
Cash generated from operations	12	1,139,461		926,496	
Interest paid		(1,533,373)		(1,367,607)	
Net cash outflow from operating activities		(393,912)		(441,111)	
Investing activities					
Interest received		1,187,700		1,234,246	
Net cash generated from investing activities		1,187,700		1,234,246	
Financing activities					
Repayment of bank loans		(967,520)		(790,570)	
Net cash used in financing activities		(967,520)		(790,570)	
Net (decrease)/increase in cash and cash equivalents		(173,732)		2,565	
Cash and cash equivalents at beginning of year		3,487,557		3,484,992	
Cash and cash equivalents at end of year		3,313,825		3,487,557	

INSPIREDSPACES ROCHDALE (PROJECTCO1) LIMITED

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements have had the most significant effect on amounts recognised in the financial statements:

- Fair values for derivative contracts 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.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

- Accounting for the service concession contract and finance debtors requires estimation of a finance debtor interest rate.
- 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 Accounting policies

Company information

Inspiredspaces Rochdale (Projectco1) Limited is a private company limited by shares incorporated in England and Wales. The registered office is 1 Park Row, Leeds, United Kingdom, LS1 5AB.

2.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include derivative financial instruments at fair value. The principal accounting policies adopted are set out below.

INSPIREDSPACES ROCHDALE (PROJECTCO1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2 Accounting policies

(Continued)

2.2 Going concern

In assessing the going concern status of the Company, 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. The Directors are satisfied that future income streams are secure and that cash inflows are not impaired.

In the prior year, the Company breached certain bank loan covenants, driven by additional expenditure for defect rectification costs. The covenants had not been rectified by the prior year end and, given this technical breach of the loan, the entire bank loan was presented as due within one 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. As such, the bank loan in the current year has been presented in line with the ageing per the bank loan facility.

The shareholder's funds at 31 December 2022 show a deficit of £1,304,107 (2021: £4,191,296). This arises from the recognition of the Company's swap liability at fair value as well as retained losses due to historic defect costs in prior years. The Company has a secured bank facility that will enable it to continue trading for the concession period.

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 twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

2.3 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 34.121-35.16A 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.

2.4 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand and deposits held at call with banks.

The Company is obligated to keep separate cash reserves in respect of certain future cashflows. This restricted cash balance, which is shown on the balance sheet within the "cash at bank" balance, amounts to £2,425,931 at the year end (2021: £2,434,933):

INSPIREDSPACES ROCHDALE (PROJECTCO1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

2 Accounting policies

(Continued)

2.5 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

2.6 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

2.7 Hedge accounting

The company designates certain hedging instruments, including derivatives, embedded derivatives and non-derivatives, as either fair value hedges or cash flow hedges. At the inception of the hedge relationship, the company documents the relationship between the hedging instrument and the hedged item along with risk management objectives and strategy for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, the company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

INSPIREDSPACES ROCHDALE (PROJECTCO1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

2 Accounting policies

(Continued)

For derivatives that are designated and qualify as cash flow hedges, the effective portion of changes in the fair value of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Any gain or loss previously recognised in other comprehensive income is reclassified to profit or loss when the hedge relationship ends. This occurs when the hedging instrument expires or no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised, or the hedging instrument is terminated.

2.8 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

3 Auditor's remuneration

	2022	2021
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	18,170	16,000

4 Employees

The average monthly number of persons (including directors) employed by the company during the year was Nil (2021: Nil).

INSPIREDSAPCES ROCHDALE (PROJECTCO1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

5 Debtors	2022	2021
	£	£
Amounts falling due within one year:		
Trade debtors	1,784	5,230
Finance asset receivable	1,020,594	1,020,594
Other debtors	4,336,853	4,092,962
	<u>5,359,231</u>	<u>5,118,786</u>
Amounts falling due after more than one year:	2022	2021
	£	£
Finance asset receivable	13,012,574	14,033,167
Deferred tax asset	447,947	1,410,269
	<u>13,460,521</u>	<u>15,443,436</u>
Total debtors	18,819,752	20,562,222
	<u></u>	<u></u>
6 Financial instruments	2022	2021
	£	£
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Derivative financial instruments	703,028	4,930,765
	<u></u>	<u></u>
7 Creditors: amounts falling due within one year	2022	2021
	£	£
Bank loans	1,049,552	18,348,675
Trade creditors	4,495	51,212
Taxation and social security	95,380	112,151
Other creditors	3,499,278	3,222,152
	<u>4,648,705</u>	<u>21,734,190</u>

All amounts drawn under the senior debt facility ("bank loans") are secured by fixed and floating charges over the total assets of the Company. The Company entered into an interest hedging agreement to fix the interest rate on this loan until its maturity in 2036.

"Other creditors" includes loan stock repayable to the Company's parent company in profiled, semi-annual instalments to 2036. Interest charged on the loan stock is based on a fixed nominal interest rate and this facility is unsecured.

INSPIREDSPACES ROCHDALE (PROJECTCO1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

8 Creditors: amounts falling due after more than one year

	2022 £	2021 £
Bank loans and overdrafts	16,350,189	-
Other creditors	2,438,790	6,506,885
	<u>18,788,979</u>	<u>6,506,885</u>

All amounts drawn under the senior debt facility ("bank loans") are secured by fixed and floating charges over the total assets of the Company. The Company entered into an interest hedging agreement to fix the interest rate on this loan until its maturity in 2036.

"Other creditors" includes loan stock repayable to the Company's parent company in profiled, semi-annual instalments to 2036. Interest charged on the loan stock is based on a fixed nominal interest rate and this facility is unsecured.

Creditors which fall due after five years are as follows:

	2022 £	2021 £
Payable by instalments	<u>14,269,574</u>	<u>15,661,512</u>

9 Hedging reserve

The 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.

10 Profit and loss reserves

Profit and loss reserves contains the cumulative retained earnings carried forward less distributions to shareholders.

11 Parent company

The Company is wholly owned by Inspiredspaces Rochdale (Holdings1) Limited, whose registered office is the same as the Company. There is no ultimate controlling party of the Company.

No group financial statements include the results of the Company.

INSPIREDSPACES ROCHDALE (PROJECTCO1) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

12 Cash generated from operations

	2022 £	2021 £
Loss for the year after tax	(283,612)	(62,155)
Adjustments for:		
Taxation credited	(94,613)	(67,195)
Finance costs	1,879,234	1,839,281
Investment income	(1,187,700)	(1,234,246)
Movements in working capital:		
Decrease in debtors	780,148	711,080
Increase/(decrease) in creditors	46,004	(260,269)
Cash generated from operations	1,139,461	926,496

13 Analysis of changes in net debt

	1 January 2022 £	Cash flows £	Other non- cash changes £	31 December 2022 £
Cash at bank and in hand	3,487,557	(173,732)	-	3,313,825
Borrowings excluding overdrafts	(21,028,821)	967,520	(19,107)	(20,080,408)
	<u>(17,541,264)</u>	<u>793,788</u>	<u>(19,107)</u>	<u>(16,766,583)</u>