

**Directors' Report and
Audited Financial Statements for the Year Ended 31 December 2020
for
Inspiredspaces Rochdale (Projectco1)
Limited**



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

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for the Year Ended 31 December 2020**

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**Inspiredspaces Rochdale (Projectco1)
Limited**

**Company Information
for the Year Ended 31 December 2020**

Directors:	K J Edwards P K Johnstone M Templeton A Ibrahim S T Kay
Secretary:	A Mitchell
Registered office:	C/O Albany SPC Services Ltd 3rd Floor 3 - 5 Charlotte Street Manchester M1 4HB
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 Third Floor Quay 2 139 Fountainbridge Edinburgh EH3 9QG

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

**Directors' Report
for the Year Ended 31 December 2020**

The directors present their report with the audited financial statements of the company for the year ended 31 December 2020.

The financial statements for the year ended 31 December 2019 have been restated. See Prior year adjustment note 9.

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

Engie Services Limited ("Engie") were appointed as interim FM contractor following the liquidation of Carillion plc on 15 January 2018. A permanent facilities management agreement was entered into with Engie on 19 June 2020 and is broadly in line with the previous agreement. On the same date the Lenders waived all known Events of Default arising as a result of the Carillion liquidation.

During the year a number of building defects at the school were identified. Following the liquidation of the Building Contractor, the liability for the rectification of these defects falls to the Company. A plan for these rectification works is currently being prepared.

Going concern

Directors are of the opinion that the Company has sufficient funds to pay for the planned rectification works while continuing to settle all its usual liabilities but the cost of the works has resulted in an Event of Default under the Facilities Agreement with Barclays ("the Lenders") in respect of its Annual Debt Service Cover Ratio ("ADSCR") covenant at March 2021 and a forecast Event of Default at September 2021. The Event of Default has resulted in the loan facility being presented as a current liability in the financial statements which has resulted in net current liabilities of £14 million. The directors are in regular and continuing discussions with the Lenders who are aware of the situation. The directors are not aware of any indication that the Lenders intend to call in the balances owed to them however the directors acknowledge that there can be no certainty that the Lenders will not do so.

Whilst the Company has net liabilities of £6.4 million, this is as a result of accounting for the fair value of the interest rate swap agreement, the majority of which does not crystallise as liabilities for a number of years and as such the Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that it should be able to operate within its current facilities.

The World Health Organisation declared the COVID-19 outbreak a health emergency on 30 January 2020 and a global pandemic on 11 March 2020. Many actions taken by the UK Government and the private sector to respond to the outbreak followed these announcements. A review of the financial impact on the Company in responding to COVID-19 has been assessed as low. This is because the Company is still able to provide the services required under the Project agreement as the sub-contracted Facilities Management company are still able to provide the necessary services as the work is deemed to be essential and the persons delivering those services deemed to be key workers, as confirmed by a guidance note released by the Infrastructure and Projects Authority on 2 April 2020. There was an update to this guidance on 30 June 2020.

Since the Covid-19 outbreak, the Council have continued making unitary payments in accordance with the guidance included in the Infrastructure and Projects Authority guidance note.

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

**Directors' Report
for the Year Ended 31 December 2020**

Going concern - continued

The directors have reviewed the Company's projected profits and cash flows by reference to a financial model. The Company has considerable financial resources together with long-term contracts with the Council. As a consequence, the directors believe that the company is well placed to manage its business risks successfully and have a reasonable expectation that the company has adequate resources to continue in operational existence for at least twelve months from the date of signing these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements. However there remains a material uncertainty as the ability of the Company to continue as a going concern is dependent on the Lenders not calling in the loan currently owed to them. This material uncertainty may cast significant doubt over the Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. These financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Dividends

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

The Company paid a dividend of £nil during the year (2019: £nil).

Events since the end of the year

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

Directors

The directors shown below have held office during the whole of the period from 1 January 2020 to the date of this report.

K J Edwards
P K Johnstone
M Templeton

Other changes in directors holding office are as follows:

A Ibrahim and S T Kay were appointed as directors after 31 December 2020 but prior to the date of this report.

D Wilcock ceased to be a director after 31 December 2020 but prior to the date of this report.

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 2020 there were £259k of deductions (2019: £309k).

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 compare 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.

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

**Directors' Report
for the Year Ended 31 December 2020**

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 effect 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.

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.

On behalf of the board:


.....
P K Johnstone - Director

Date: 8 July 2021

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

**Statement of Directors' Responsibilities
for the Year Ended 31 December 2020**

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 2020 which comprise the Profit and Loss Account and Other 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 2020, 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 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.

Material uncertainty relating to going concern

We draw attention to Note 2 of the financial statements concerning the company's ability to continue as a going concern, which is dependent on the company's lender not calling in the loan currently owed to it as a result of the event of default triggered under its credit agreement. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

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.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the 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 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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page five, 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 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.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry;
- results of our enquiries of management about their own identification and assessment of the risks of irregularities; and;
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

**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

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: revenue recognition and future maintenance costs. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override of controls.

We also obtained an understanding of the legal and regulatory frameworks that the company operates in, 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 key laws and regulations we considered in this context included the UK Companies Act and tax legislation.

Our procedures to respond to risks identified included the following:

- recalculation of unitary charge by applying and agreeing given indexation to the base cost and RPI to the Office of National Statistics website;
- reviewing the application of appropriate service margin to service costs to determine revenue amount recognised in the Statement of Comprehensive Income in the year, as disclosed in the accounting policy Finance debtor and service income;
- reviewing passthrough costs and related revenue to ensure these match and are legitimate passthrough costs in line with the contract;
- consider the basis of lifecycle review prepared by management services provider and compare with future maintenance costs as determined in the latest operating model;
- comparison of actual lifecycle expenditure to forecast;
- reviewing the financial statement disclosures to assess compliance with the laws and regulation described as having a direct effect on the financial statements;
- enquiring of management and those charged with governance regarding the potential or known or suspected instances of non-compliance with laws and regulations, where they consider fraud is more likely to occur and the controls in place to mitigate this;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reviewing board minutes for indicators of any breaches of laws and regulations;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and
- evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

**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.



Grant Roger (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP
7-11 Melville Street
Edinburgh
EH3 7PE

8 July 2021

Date:

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

**Profit and Loss Account and Other Comprehensive Income
for the Year Ended 31 December 2020**

	Notes	2020 £'000	2019 £'000
Turnover	3	1,989	1,811
Cost of sales		(1,416)	(1,302)
Gross profit		573	509
Administrative expenses		(260)	(437)
Operating profit	5	313	72
Interest receivable and similar income	6	1,319	1,413
Interest payable and similar expenses	7	(1,840)	(1,858)
Loss before taxation		(208)	(373)
Tax on loss	8	47	63
Loss for the financial year		(161)	(310)
Other comprehensive loss			
Change in fair value of interest rate swap		(604)	(99)
Income tax relating to other comprehensive loss		251	17
Other comprehensive loss for the year, net of income tax		(353)	(82)
Total comprehensive loss for the year		(514)	(392)

The notes form part of these financial statements

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

**Balance Sheet
31 December 2020**

	Notes	2020 £'000	2019 £'000
Current assets			
Debtors due within one year	10	4,809	4,633
Debtors due after one year	10	16,573	17,295
Cash at bank		3,485	3,209
		<u>24,867</u>	<u>25,137</u>
Creditors: amounts falling due within one year	11	<u>(22,276)</u>	<u>(22,620)</u>
Net current assets		<u>2,591</u>	<u>2,517</u>
Total assets less current liabilities		<u>2,591</u>	<u>2,517</u>
Creditors: amounts falling due after more than one year	12	<u>(9,029)</u>	<u>(8,441)</u>
Net liabilities		<u><u>(6,438)</u></u>	<u><u>(5,924)</u></u>
Capital and reserves			
Called up share capital	16	10	10
Cash flow hedging reserve		(6,007)	(5,654)
Retained earnings		(441)	(280)
Shareholders' funds		<u><u>(6,438)</u></u>	<u><u>(5,924)</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 8 July 2021 and were signed on its behalf by:


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 2020**

	Called up share capital £'000	Retained earnings £'000	Cash flow hedging reserve £'000	Total equity £'000
Balance at 1 January 2019	10	30	(5,571)	(5,531)
Changes in equity				
Total comprehensive loss	-	(310)	(246)	(556)
Balance at 31 December 2019 - as previously reported	10	(280)	(5,817)	(6,087)
Prior year adjustment (note 9)	-	-	163	163
Balance at 31 December 2019 - as restated	10	(280)	(5,654)	(5,924)
Changes in equity				
Total comprehensive loss	-	(161)	(353)	(514)
Balance at 31 December 2020	10	(441)	(6,007)	(6,438)

The notes form part of these financial statements

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

**Notes to the Financial Statements
for the Year Ended 31 December 2020**

1. Statutory information

Inspiredspaces Rochdale (Projectcol) Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

2. Accounting policies

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 3-5 Charlotte Street, Manchester, M1 4HB, United Kingdom. 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.

Amended standards

Inspiredspaces Rochdale (Projectcol) Ltd elected to early adopt the 'Amendments to FRS 102 Interest Rate Benchmark Reform' issued in September 2019.

The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by LIBOR reform. The reliefs have the effect that LIBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continues to be recorded in the income statement. Furthermore, the amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present.

In summary, the reliefs provided by the amendments that apply to the Company are :

- When considering the 'highly probable' requirement, the Company has assumed that the GBP LIBOR interest rate on which our hedged debts are based does not change as a result of LIBOR reform.
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis the Company has assumed that the GBP LIBOR interest rate on which the cash flows of the hedged debt and the interest rate swap that hedges it are based is not altered by LIBOR reform.
- the Company will not discontinue hedge accounting during the period of LIBOR-related uncertainty solely because the retrospective effectiveness falls outside the required 80-125% range.
- the Company has not recycled the cash flow hedge reserve relating to the period after the reforms are expected to take effect.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2020**

2. Accounting policies - continued

Going concern

Directors are of the opinion that the Company has sufficient funds to pay for the planned rectification works while continuing to settle all its usual liabilities but the cost of the works has resulted in an Event of Default under the Facilities Agreement with Barclays ("the Lenders") in respect of its Annual Debt Service Cover Ratio ("ADSCR") covenant at March 2021 and a forecast Event of Default at September 2021. The Event of Default has resulted in the loan facility being presented as a current liability in the financial statements which has resulted in net current liabilities of £14 million. The directors are in regular and continuing discussions with the Lenders who are aware of the situation. The directors are not aware of any indication that the Lenders intend to call in the balances owed to them however the directors acknowledge that there can be no certainty that the Lenders will not do so.

Whilst the Company has net liabilities of £6.4 million, this is as a result of accounting for the fair value of the interest rate swap agreement, the majority of which does not crystallise as liabilities for a number of years and as such the Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that it should be able to operate within its current facilities.

The World Health Organisation declared the COVID-19 outbreak a health emergency on 30 January 2020 and a global pandemic on 11 March 2020. Many actions taken by the UK Government and the private sector to respond to the outbreak followed these announcements. A review of the financial impact on the Company in responding to COVID-19 has been assessed as low. This is because the Company is still able to provide the services required under the Project agreement as the sub-contracted Facilities Management company are still able to provide the necessary services as the work is deemed to be essential and the persons delivering those services deemed to be key workers, as confirmed by a guidance note released by the Infrastructure and Projects Authority on 2 April 2020. There was an update to this guidance on 30 June 2020.

Since the Covid-19 outbreak, the Council have continued making unitary payments in accordance with the guidance included in the Infrastructure and Projects Authority guidance note.

The directors have reviewed the Company's projected profits and cash flows by reference to a financial model. The Company has considerable financial resources together with long-term contracts with the Council. As a consequence, the directors believe that the company is well placed to manage its business risks successfully and have a reasonable expectation that the company has adequate resources to continue in operational existence for at least twelve months from the date of signing these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements. However there remains a material uncertainty as the ability of the Company to continue as a going concern is dependent on the Lenders not calling in the loan currently owed to them. This material uncertainty may cast significant doubt over the Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. These financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

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.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2020**

2. Accounting policies - continued

Judgements and key sources of estimation uncertainty - continued

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.

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 £709,067 at the year end (2019: £507,413).

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).

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2020**

2. Accounting policies - continued

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.

Taxation

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax

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

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.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2020**

2. Accounting policies - continued

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.

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.

4. Employees and directors

There were no employees during the year (2019: none).

The directors received no remuneration for their services during the year (2019: nil).

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

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2020**

5. Operating profit

The operating profit is stated after charging:

Auditor's remuneration

	2020	2019
	£'000	£'000
Audit of these financial statements	11	17
	11	17

6. Interest receivable and similar income

	2020	2019
	£'000	£'000
Deposit account interest	5	18
Finance debtor interest	1,314	1,395
	1,319	1,413

7. Interest payable and similar expenses

	2020	2019
	£'000	£'000
Interest payable on bank loans	1,427	1,470
Other interest payable	413	368
Bank charges	-	20
	1,840	1,858

8. Taxation

Analysis of the tax credit

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

	2020	2019
	£'000	£'000
Deferred tax	(47)	(63)
Tax on loss	(47)	(63)

UK corporation tax has been charged at 19% (2019 - 19%).

**Inspiredspaces Rochdale (Projectco1)
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**Notes to the Financial Statements - continued
for the Year Ended 31 December 2020**

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:

	2020	2019
	£'000	£'000
Loss before tax	<u>(208)</u>	<u>(373)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	(39)	(71)
Effects of:		
Adjustments to tax charge in respect of previous periods	-	8
Effect of change in tax rate on deferred tax on losses carried forward	<u>(8)</u>	<u>-</u>
Total tax credit	<u>(47)</u>	<u>(63)</u>

Tax effects relating to effects of other comprehensive income

	Gross	Tax	2020
	£'000	£'000	Net
	(604)	251	£'000
Change in fair value of interest rate swap	<u>(604)</u>	<u>251</u>	<u>(353)</u>
	<u>(604)</u>	<u>251</u>	<u>(353)</u>
	Gross	Tax	2019
	£'000	£'000	Net
	(99)	17	£'000
Change in fair value of interest rate swap (see note 9)	<u>(99)</u>	<u>17</u>	<u>(82)</u>
	<u>(99)</u>	<u>17</u>	<u>(82)</u>

Effects of changes to future tax rates

In the budget on 3 March 2021, the Chancellor of the Exchequer announced that the UK corporation tax rate will increase to 25% from 1 April 2023. This will increase the company's future current tax charge accordingly. Deferred tax at 31 December 2020 has been calculated based on the rate of 19% substantively enacted at the balance sheet date. The overall effect of the change in corporation tax rate, had it been substantively enacted by the balance sheet date, would be to increase the deferred tax asset by £326,000.

**Inspiredspaces Rochdale (Projectco1)
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**Notes to the Financial Statements - continued
for the Year Ended 31 December 2020**

9. Prior year adjustment

During the year, it was identified that the 2019 interest rate swap valuation from the counterparty included the portion of the payment due at the end of March 2020 which related to the 3 months ended 31 December 2019 (£196,989). This amount was also included in accrued expenses and the liability was therefore double counted.

To correct this an amount of £196,989 has been reversed from the interest rate swap valuation at 31 December 2019. This has had a direct impact on the deferred tax asset and hedging reserve balances brought forward at 1 January 2020. Therefore, the corresponding adjustment amounts in relation to the deferred tax asset of £33,488 and the hedging reserve of £163,501 have also been recognised.

The effect to the brought forward balances of the relevant accounts is shown in the table below:

	2019 £'000	2019 Restated £'000
Interest rate swap	(£7,009)	(£6,812)
Deferred tax asset	£1,254	£1,221
Hedging reserve	(£5,817)	(£5,654)

This adjustment has a £nil impact on the profit and loss account. This adjustment does not affect the brought forward retained earnings at 1 January 2020.

During the year, the swap liability has been split between due in less than one year and due in more than one year. This has had the effect of increasing the creditors due in less than one year by £940,970 and decreasing creditors due in more than one year by the same amount in the comparative figures for 2019 to be consistent with the classification in the current year.

10. Debtors

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade debtors	2	103
Finance debtor	1,020	1,021
Prepayments	3,787	3,509
	<u>4,809</u>	<u>4,633</u>
Amounts falling due after more than one year:		
Finance debtor	15,054	16,074
Deferred tax asset	1,519	1,221
	<u>16,573</u>	<u>17,295</u>
Aggregate amounts	<u>21,382</u>	<u>21,928</u>

**Inspiredspaces Rochdale (Projectco1)
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**Notes to the Financial Statements - continued
for the Year Ended 31 December 2020**

10. Debtors - continued

Deferred tax asset	2020	2019
	£'000	£'000
Tax losses carried forward	110	63
Other timing differences	1,409	1,158
	<u>1,519</u>	<u>1,221</u>

The deferred tax asset for the year ended 31 December 2019 has been restated. See Prior year adjustment note 9.

11. Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Bank loans and overdrafts (see note 13)	19,125	19,751
Trade creditors	303	386
Amounts owed to group undertakings	153	104
VAT	58	36
Swap liability (see note 13)	908	941
Accrued expenses	1,729	1,402
	<u>22,276</u>	<u>22,620</u>

As explained in Note 1, due to the Event of Default in respect of the ADSCR covenant at March 2021 and the forecast Event of Default at September 2021, the bank loan has been presented as a current liability.

The valuation of the swap liability for the year ended 31 December 2019 has been restated. See Prior year adjustment note 9.

12. Creditors: amounts falling due after more than one year

	2020	2019
	£'000	£'000
Amounts owed to group undertakings	2,521	2,570
Swap liability (see note 13)	6,508	5,871
	<u>9,029</u>	<u>8,441</u>

The valuation of the swap liability for the year ended 31 December 2019 has been restated. See Prior year adjustment note 9.

13. Loans

An analysis of the maturity of loans is given below:

	2020	2019
	£'000	£'000
Amounts falling due within one year or on demand:		
Bank loans	<u>19,125</u>	<u>19,751</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2020**

13. Loans - continued

Bank borrowings relate to term loan facilities granted by the bank on 11 January 2011. The loan facility is 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 2020 £19,125,000 (2019: £19,750,000) has been drawn comprising £19,125,000 (2019: £19,750,000) term loan. There were £287,000 unamortised issue costs on the term loan as at 31 December 2020 (2019: £311,000).

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2020 £000	2019 £000
Bank loan	GBP	4.77%	2036	Semi-annual	19,125	19,750
Subordinated debt	GBP	11.55%	2036	Semi-annual	2,688	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 2020 was a liability of £7,416,000 (2019: liability of £6,812,000).

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.

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 loss of £604,000 (2019: loss of £99,000) was recognised in other comprehensive income and gains of £Nil (2019: gains of £Nil) in excess of the fair value of the hedging instruments over the change in the fair value of expected cash flows were recognised in profit or loss. £Nil (2019: £Nil) was reclassified to profit or loss for the year.

The valuation of the swap liability for the year ended 31 December 2019 has been restated. See Prior year adjustment note 9.

**Inspiredspaces Rochdale (Projectco1)
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**Notes to the Financial Statements - continued
for the Year Ended 31 December 2020**

14. Financial instruments

(a) Carrying amount of financial instruments

The carrying amounts of the financial assets include:

	2020	2019 as restated
	£'000	£'000
	Carrying amount	Carrying Amount
Assets measured at amortised cost		
- Finance debtor	16,074	17,094
- Trade and other debtors	3,817	3,662
	19,891	20,756
Assets measured at cost less impairment		
- Cash and cash equivalents	3,485	3,209
	3,485	3,209
Liabilities measured at amortised cost		
- Trade and other payables	(2,097)	(1,860)
- Bank loan	(19,125)	(19,750)
- Subordinated debt	(2,674)	(2,674)
	(23,896)	(24,284)
Liabilities measured at fair value through profit and loss		
- Interest rate swap	(7,416)	(6,812)

(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.

15. Deferred tax

	£'000
Balance at 1 January 2020	(1,221)
Credit to Profit and Loss Account and Other Comprehensive Income during year	(47)
Change in fair value of swap	(115)
Effect of change in tax rate	(136)
Balance at 31 December 2020	(1,519)

**Inspiredspaces Rochdale (Projectco1)
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**Notes to the Financial Statements - continued
for the Year Ended 31 December 2020**

15. Deferred tax - continued

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.

The deferred tax asset for the year ended 31 December 2019 has been restated. See Prior year adjustment note 9.

In the budget on 3 March 2021, the Chancellor of the Exchequer announced that the UK corporation tax rate will increase to 25% from 1 April 2023. This will increase the company's future current tax charge accordingly. Deferred tax at 31 December 2020 has been calculated based on the rate of 19% substantively enacted at the balance sheet date. The overall effect of the change in corporation tax rate, had it been substantively enacted by the balance sheet date, would be to increase the deferred tax asset by £326,000.

16. Called up share capital

Allotted, issued and fully paid:

Number:	Class:	Nominal value	2020 £'000	2019 £'000
10,000	Ordinary £1	£1	10	10

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.

Cashflow hedging reserve

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

	2020 £'000	2019 as restated £'000
Cashflow hedging reserve	(6,007)	(5,654)

17. 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 included the results of the Company. The consolidated financial statements of the largest group are available to the public and may be obtained from 3rd Floor, 3 - 5 Charlotte Street, Manchester, M1 4HB, United Kingdom.

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

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2020**

18. Related party disclosures

George Street Asset Management Limited

A company in which P K Johnstone is a shareholder

Consultancy fees of £1,000 (2019 - £19,000) were paid during the year.

Inspiredspaces Rochdale Limited

10% shareholder of Inspiredspaces Rochdale (Holdings1) Limited

Fees for management services of £5,000 (2019 - £46,000) were paid in the year.

	2020	2019
	£'000	£'000
Amount due from related party at the balance sheet date	-	25
	<u> </u>	<u> </u>

Inspiredspaces Rochdale (Projectco2) Limited

A company with the same directors

Net recharges of fees for project management, legal and annual energy reconciliation services of £9,000 (2019 - £nil) were paid in the year.

19. Post balance sheet events

The cost of planned defects rectification works due to take place in the summer of 2021 has resulted in an Event of Default under the Facilities Agreement with Barclays ("the Lenders") in respect of its Annual Debt Service Cover Ratio ("ADSCR") covenant at March 2021 and a forecast Event of Default at September 2021. The Event of Default has resulted in the loan facility being presented as a current liability in the financial statements. The directors are in regular and continuing discussions with the Lenders who are aware of the situation. The directors are not aware of any indication that the Lenders intend to call in the balances owed to them however the directors acknowledge that there can be no certainty that the Lenders will not do so.