

Company registration number 08114138 (England and Wales)

INSPIREDSPACES ROCHDALE (PROJECTCO2) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

INSPIREDSPACES ROCHDALE (PROJECTCO2) LIMITED

COMPANY INFORMATION

| | | |
|-------------------|---|-----------------------------|
| Directors | P K Johnstone | (Appointed 29 January 2024) |
| | S T Kay | |
| | K J Edwards | |
| | S McGhee | (Appointed 30 June 2023) |
| Secretary | Resolis Limited | |
| Company number | 08114138 | |
| Registered office | 1 Park Row Leeds United Kingdom LS1 5AB | |
| Auditor | Johnston Carmichael LLP 7-11 Melville Street Edinburgh EH3 7PE | |

INSPIREDSAPCES ROCHDALE (PROJECTCO2) LIMITED

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INSPIREDSPACES ROCHDALE (PROJECTCO2) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

The Directors present their annual report and financial statements for Inspiredspaces Rochdale (Projectco2) Limited ("the Company") for the year ended 31 December 2023.

Principal activities

The principal activity of the Company continued to be that of the design, redevelopment, financing, operation and provision of associated services to two schools under the Government's Building Schools for the Future scheme for a period of twenty-six years pursuant and in accordance with the terms of an agreement with Rochdale Borough Council ("the Council"). This agreement together with a loan facilities agreement, a construction contract, a facilities management contract and other related contracts were signed on 3 August 2012. Construction of the schools commenced in August 2012 and was completed in December 2013.

Results and dividends

The results for the year are set out on page 9.

No ordinary dividends were paid (2022: £nil). The Directors do not recommend payment of a final dividend.

Directors

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

| | |
|---------------|-----------------------------|
| P K Johnstone | (Appointed 29 January 2024) |
| S T Kay | |
| M Templeton | (Resigned 29 January 2024) |
| K J Edwards | |
| S McGhee | (Appointed 30 June 2023) |
| P K Johnstone | (Resigned 30 June 2023) |

Supplier payment policy

The Company's current policy concerning the payment of trade creditors is to follow the CBI's Prompt Payers Code (copies are available from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU).

The Company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the Company's contractual and other legal obligations.

Trade creditors of the Company at the year end were £4,765 which is equivalent to 1 day's purchases, based on the average daily amount invoiced by suppliers during the year.

Financial risk management

Solvency and performance of sub-contractors

The solvency and performance of key sub-contractors is regularly monitored by the Directors.

The Company's operations are managed under the supervision of its Directors, shareholders and funders and are largely determined by the detailed terms of the Project Agreement and other agreements with sub-contractors.

The Facility Manager is EQUANS Services Limited and the Management Services Provider is Resolis Limited. The Directors are satisfied with the solvency and performance of both parties.

Liquidity risk

The financial model that the Company maintains indicates that sufficient funding is expected to be available for the Company to settle its liabilities, including loan repayments, in the normal course of business.

INSPIREDSPACES ROCHDALE (PROJECTCO2) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

Interest rate risk

The Company has loan facilities in place which accrue interest at fixed interest rates.

Insurance risk

The Company is exposed to the conditions prevailing in the insurance market at each renewal date. The Directors manage this risk through close monitoring of the claims record of the projects and through being part of a collective insurance portfolio which allows competitive insurance terms due to increased scale.

A contractual mechanism exists whereby costs or savings from insurance premiums are shared with Rochdale Borough Council.

Credit risk

The Company receives its revenue from a local government body and the Directors therefore believe that the Company is not exposed to significant credit risk.

Inflation risk

The Company's costs are largely linked to inflation. This risk is mitigated as revenue is linked to inflation and is increased annually using the RPIx inflation measure.

Lifecycle risk

The Company has responsibility for lifecycle costs until the end of the projects' concessionary periods and therefore carries risk from ongoing and future lifecycle costs.

Lifecycle cost projections are agreed with the Facilities Management Contractor and are reviewed by an independent third party. These costs profile expenditure over the medium term, typically five years, and the most recent review was completed in 2022 covering the period up to August 2027. The updated lifecycle profile was incorporated into the September 2023 financial model update which indicates that the Company will be able to fund lifecycle costs until the end of the projects' concessionary periods.

As stipulated in the Credit Agreement with the lender, a cash lifecycle fund is held by the Company to cover future anticipated lifecycle costs. The fund balance is reviewed semi-annually in line with the financial model and cash transfers from the Company's operating bank account are made to or from the fund to agree the balance to the latest financial model.

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

Each Director in office at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that he / she ought to have taken as a Director in order to make himself / herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

INSPIREDSPACES ROCHDALE (PROJECTCO2) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

On behalf of the board

.....

P K Johnstone

Director

Date:

INSPIREDSAPCES ROCHDALE (PROJECTCO2) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT ***FOR THE YEAR ENDED 31 DECEMBER 2023***

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 UK-adopted International Accounting Standards. 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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. 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.

INSPIRESPACES ROCHDALE (PROJECTCO2) LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INSPIRESPACES ROCHDALE (PROJECTCO2) LIMITED

Opinion

We have audited the financial statements of Inspiredspaces Rochdale (Projectco2) Limited (the 'Company') for the year ended 31 December 2023 which comprise Statement of Comprehensive Income, Statement of Financial Position, 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 UK-adopted International Accounting Standards and applicable law.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK-adopted International Accounting Standards and applicable law; 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.

INSPIREDSPACES ROCHDALE (PROJECTCO2) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF INSPIREDSPACES ROCHDALE (PROJECTCO2) LIMITED

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and 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 set out on page three, 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 for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. 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 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.

INSPIRESPACES ROCHDALE (PROJECTCO2) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF INSPIRESPACES ROCHDALE (PROJECTCO2) LIMITED

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

- UK-adopted International Accounting Standards;
- Companies Act 2006;
- UK 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. In areas of the financial statements where risks were considered to be higher, we performed procedures to address each identified risk. We identified a heightened fraud risk in relation to:

- Management override of controls; and
- Revenue recognition

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Recalculating the unitary charge received by taking the base charge per the project agreement and uplifting for RPI;
- Agreeing a sample of months' income receipts to invoice and bank statements;
- Performing an assessment on the service margins used in the year and agreeing margins used to the active financial models;
- Reconciling the finance income and amortisation to the finance debtor reconciliation to ensure allocation methodology is in line with contractual terms and relevant accounting standards;
- 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 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.

INSPIREDSPACES ROCHDALE (PROJECTCO2) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF INSPIREDSPACES ROCHDALE (PROJECTCO2) 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

Date:

Statutory Auditor

7-11 Melville Street
Edinburgh
EH3 7PE

INSPIREDSPACES ROCHDALE (PROJECTCO2) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

| | Notes | 2023 £ | 2022 £ |
|---|-------|-------------|-------------|
| Revenue | 4 | 3,453,139 | 2,469,822 |
| Cost of sales | | (2,274,218) | (2,216,628) |
| Gross profit | | 1,178,921 | 253,194 |
| Administrative expenses | | (325,046) | (352,604) |
| Operating profit/(loss) | 5 | 853,875 | (99,410) |
| Investment revenues | 8 | 1,371,715 | 1,436,733 |
| Finance costs | 9 | (1,709,440) | (1,773,849) |
| Profit/(loss) before taxation | | 516,150 | (436,526) |
| Income tax (expense)/income | 10 | (143,612) | 109,130 |
| Profit/(loss) and total comprehensive profit/(loss) for the year | 21 | 372,538 | (327,396) |

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

INSPIREDSPACES ROCHDALE (PROJECTCO2) LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

| | Notes | 2023 £ | 2022 £ |
|--------------------------------|-----------|--------------------|--------------------|
| Non-current assets | | | |
| Other receivables | 12 | 26,428,064 | 28,089,758 |
| Deferred tax asset | 19 | 111,028 | 254,640 |
| | | <u>26,539,092</u> | <u>28,344,398</u> |
| Current assets | | | |
| Trade and other receivables | 12 | 1,731,794 | 1,741,508 |
| Cash and cash equivalents | | 1,293,286 | 618,201 |
| | | <u>3,025,080</u> | <u>2,359,709</u> |
| Current liabilities | | | |
| Trade and other payables | 18 | 2,017,534 | 2,079,993 |
| Borrowings | 14 | 2,651,899 | 2,260,040 |
| | | <u>4,669,433</u> | <u>4,340,033</u> |
| Net current liabilities | | <u>(1,644,353)</u> | <u>(1,980,324)</u> |
| Non-current liabilities | | | |
| Borrowings | 14 | 25,199,522 | 27,041,395 |
| Net liabilities | | <u>(304,783)</u> | <u>(677,321)</u> |
| Equity | | | |
| Called up share capital | 20 | 10,000 | 10,000 |
| Retained earnings | 21 | (314,783) | (687,321) |
| Total equity | | <u>(304,783)</u> | <u>(677,321)</u> |

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

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

.....

P K Johnstone

Director

Company registration number 08114138 (England and Wales)

INSPIREDSPACES ROCHDALE (PROJECTCO2) LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

| | Share capital £ | Retained earnings £ | Total £ |
|--|-----------------------|---------------------------|------------|
| Balance at 1 January 2022 | 10,000 | (359,925) | (349,925) |
| Year ended 31 December 2022: | | | |
| Loss and total comprehensive loss for the year | - | (327,396) | (327,396) |
| Balance at 31 December 2022 | 10,000 | (687,321) | (677,321) |
| Year ended 31 December 2023: | | | |
| Profit and total comprehensive loss for the year | - | 372,538 | 372,538 |
| Balance at 31 December 2023 | 10,000 | (314,783) | (304,783) |

INSPIREDSPACES ROCHDALE (PROJECTCO2) LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

| | Notes | 2023 £ | £ | 2022 £ | £ |
|---|-------|-------------|-------------|-------------|-------------|
| Cash flows from operating activities | | | | | |
| Cash generated from operations | 25 | | 2,462,824 | | 1,260,443 |
| Interest paid | | | (1,709,440) | | (2,330,155) |
| Net cash inflow/(outflow) from operating activities | | | 753,384 | | (1,069,712) |
| Investing activities | | | | | |
| Interest received | | 1,371,715 | | 1,436,733 | |
| Net cash generated from investing activities | | | 1,371,715 | | 1,436,733 |
| Financing activities | | | | | |
| Repayment of borrowings | | 3,048 | | - | |
| Repayment of bank loans | | (1,453,062) | | (1,373,744) | |
| Net cash used in financing activities | | | (1,450,014) | | (1,373,744) |
| Net increase/(decrease) in cash and cash equivalents | | | 675,085 | | (1,006,723) |
| Cash and cash equivalents at beginning of year | | | 618,201 | | 1,624,924 |
| Cash and cash equivalents at end of year | | | 1,293,286 | | 618,201 |

INSPIREDSPACES ROCHDALE (PROJECTCO2) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies

Company information

Inspiredspaces Rochdale (Projectco2) Limited ("the Company") is a private company limited by shares incorporated and domiciled in England and Wales. The registered office is 1 Park Row, Leeds, United Kingdom, LS1 5AB. The Company's principal activities and nature of its operations are disclosed in the Directors' Report.

1.1 Accounting convention

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards.

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. The material accounting policies adopted are set out below.

1.2 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 2039. This model indicates that the Company will be able to meet all liabilities, including bank and subordinated funding, as they fall due. The model defers repayment of subordinated debt until such time as cashflow allows.

Shareholder funds indicate a deficit of £304,783 (2022: £677,321) which primarily arose through defect rectification costs that the Company incurred in prior years. Subsequent to these costs being incurred, a review of future lifecycle review took place and the updated profile of these maintenance costs was included in the financial model.

The senior bank loan funding has various financial covenants that must be met on historic and projected periods. All financial covenants were met in the current year and are expected to be met in all future years (with reference to the latest financial model).

Taking all of the above factors into account, 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.

1.3 Revenue

PFI revenue has been accounted for using the financial asset model, where it has been determined that the Company has an unconditional right to receive cash for the construction service. Revenue is determined by the fair value of consideration received or receivable in respect of goods and services provided in the same way as other long-term contracts.

The revenue is measured at the present value of cash inflows expected to be recovered at a discount rate which reflects the time-value of money. The unwinding of the discount is included in interest receivable and similar income.

Revenue from other contract activities represents fee income receivable in respect of services provided during the year. Estimates are included of amounts not yet invoiced.

Pass-through income represents the direct pass through of recoverable costs, as specified in the Project Agreement.

All revenue excludes Value Added Tax.

INSPIRESPACES ROCHDALE (PROJECTCO2) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies

(Continued)

Service concession

In accordance with IFRIC 12 and the various provisions of UK-adopted International Accounting Standards, the Company has determined the appropriate treatment of the principal assets of, and income streams from PFI and similar contracts. Results of all service concessions which fall within the scope of IFRIC 12 conform to the following policies depending on the rights to consideration under the service concessions.

The Company recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction or upgrade services provided.

Revenue is recognised by allocating a proportion of total cash receivable to construction income and service income. The consideration received will be allocated by reference to the relative fair value of the services delivered, when the amounts are separately identifiable.

During the operational stage, cash received in respect of the service concessions is allocated to service and maintenance revenue based on its fair value, with the remainder being allocated between capital repayment and interest income using the effective interest method.

The finance receivables are held as finance debtors in accordance with IFRS 9. Finance receivables are recognised initially at fair value. Subsequent to initial recognition, finance receivables are measured at amortised cost using the effective interest method less any impairment losses.

1.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts.

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 £613,423 at the year end (2022: £618,016).

1.5 Financial assets

Financial assets are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

Financial assets held at amortised cost

Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (eg trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

Impairment of financial assets

Financial assets carried at amortised cost are assessed for indicators of impairment at each reporting end date.

The expected credit losses associated with these assets are estimated on a forward-looking basis. A broad range of information is considered when assessing credit risk and measuring expected credit losses, including past events, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

INSPIREDSAPCES ROCHDALE (PROJECTCO2) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies

(Continued)

'Trade receivables' are reviewed periodically on an individual basis for evidence of impairment. Objective evidence of impairment includes significant financial difficulty of counterparties, an increase in slow or delayed payments and observable changes to national and local economic conditions that would impact collection of receivables.

For the 'finance debtor', a significant change to national economic conditions, financial difficulties at Rochdale Borough Council and slow or delayed remittances from the Council could be considered objective evidence of impairment.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.6 Financial liabilities

The Company recognises financial debt when the Company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'financial liabilities held at amortised cost'.

Financial liabilities held at amortised cost

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Company's obligations are discharged, cancelled, or they expire.

1.7 Equity instruments

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

1.8 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 income statement 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.

INSPIRESPACES ROCHDALE (PROJECTCO2) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies

(Continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary 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 statement of comprehensive income, 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.

2 Adoption of new and revised standards and changes in accounting policies

In the current year, the Company has adopted the following revisions to IAS 1 Presentation of Financial Statements:

- Disclosure of Accounting Policies (Amendments to IAS 1); and
- Non-current Liabilities with Covenants (Amendments to IAS 1).

At the date of approval of these financial statements, the Directors do not expect any new or revised UK-adopted International Accounting Standards to have a material impact on the financial statements of the Company in future periods.

3 Critical accounting estimates and judgements

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, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

- Accounting for the service concession contract and finance debtors requires estimation of a finance debtor interest rate. This is done using functionality built into the financial model such that the finance debtor is amortised to zero over the lifetime of the concession.
- 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.

INSPIREDSPACES ROCHDALE (PROJECTCO2) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

4 Revenue

| | 2023 £ | 2022 £ |
|--|-------------------|-------------------|
| Revenue analysed by class of business | | |
| Rendering of Facilities Management services | 3,453,139 | 2,469,822 |
| | <u> </u> | <u> </u> |
| | 2023 £ | 2022 £ |
| Revenue analysed by geographical market | | |
| United Kingdom | 3,453,139 | 2,469,822 |
| | <u> </u> | <u> </u> |

Revenue is recognised on a 'cost plus margin basis'. Lifecycle costs attract a 20% fixed margin; overheads attract a 1% fixed margin; and direct costs (excluding lifecycle costs and any costs passed on to the Council with no margin) attract a variable margin. The variable margin on direct costs was recognised at an average rate of 19.62% (2022: 20.71%). These markups are on top of the main unitary charge payable by the local authority each month (the contractual fee for rendering of facilities management services), all of which the Company has a contractual right to based on the underlying Project Agreement.

5 Operating profit/(loss)

| | 2023 £ | 2022 £ |
|---|-------------------|-------------------|
| Operating profit/(loss) for the year is stated after charging/(crediting): | | |
| Fees payable to the company's auditor for the audit of the company's financial statements | 19,260 | 18,170 |
| | <u> </u> | <u> </u> |

6 Employees

The average monthly number of persons (including Directors) employed by the Company during the year was Nil (2022: Nil).

7 Directors' remuneration

| | 2023 £ | 2022 £ |
|--------------------------------------|-------------------|-------------------|
| Remuneration for qualifying services | 35,357 | 31,428 |
| | <u> </u> | <u> </u> |

The Directors do not have contracts of services with the Company. The above amounts were payable to third parties in respect of the Directors' services.

INSPIREDSPACES ROCHDALE (PROJECTCO2) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

8 Investment revenues

| | 2023 £ | 2022 £ |
|---|-------------------|-------------------|
| Interest income | | |
| Financial instruments measured at amortised cost: | | |
| Bank deposits | 40,341 | 11,480 |
| Other interest income on financial assets | 1,331,374 | 1,425,253 |
| | <u> </u> | <u> </u> |
| Total interest revenue | <u>1,371,715</u> | <u>1,436,733</u> |

Income above relates to assets held at amortised cost, unless stated otherwise.

The interest charge is recognised at a fixed rate of 4.67% based on assumptions at financial close. The Directors still believe this rate to be appropriate.

9 Finance costs

| | 2023 £ | 2022 £ |
|---|-------------------|-------------------|
| Financial instruments measured at amortised cost | | |
| Interest on bank loans | 1,709,440 | 1,773,849 |
| | <u> </u> | <u> </u> |

10 Income tax expense

| | 2023 £ | 2022 £ |
|---|-------------------|-------------------|
| Deferred tax | | |
| Origination and reversal of temporary differences | 143,612 | (109,130) |
| | <u> </u> | <u> </u> |

A change in the UK Corporation tax rate to 25% took effect from 1 April 2023. This change has had a consequential effect on the Company's tax charge with the standard rate of tax in the current year reflective of a marginal tax rate of 23.5% arising from the Company's period straddling the 19% and 25% tax rates. Deferred tax has been calculated at 25%.

INSPIREDSPACES ROCHDALE (PROJECTCO2) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

10 Income tax expense

(Continued)

The charge for the year can be reconciled to the profit/(loss) per the statement of comprehensive income as follows:

| | 2023 £ | 2022 £ |
|---|----------------|------------------|
| Profit/(loss) before taxation | 516,150 | (436,526) |
| Expected tax charge/(credit) based on a corporation tax rate of 23.50% (2022: 19.00%) | 121,295 | (82,940) |
| Deferred tax adjustments in respect of prior years | 14,574 | - |
| Tax at marginal rate | 7,743 | - |
| Adjust current year charge to 25% deferred tax rate | - | (26,190) |
| Taxation charge/(credit) for the year | 143,612 | (109,130) |

11 Credit risk

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk. At the year end, there were no expected credit losses to the end of the concession (2022: £nil).

The Company does not hold any collateral or other credit enhancements to cover this credit risk.

12 Trade and other receivables

| | Current | | Non-current | |
|-------------------|------------------|------------------|-------------------|-------------------|
| | 2023 £ | 2022 £ | 2023 £ | 2022 £ |
| Trade receivables | 19,753 | 19,753 | - | - |
| Finance debtor | 1,667,501 | 1,673,308 | 26,428,064 | 28,089,758 |
| Prepayments | 44,540 | 48,447 | - | - |
| | <u>1,731,794</u> | <u>1,741,508</u> | <u>26,428,064</u> | <u>28,089,758</u> |

'Finance debtor' represents amounts receivable per the 'Service concession' accounting policy. £29,763,066 (2022: £31,143,464) was receivable at the start of the year; £5,279,555 (2022: £5,087,156) was received during the year; £2,280,680 (2022: £2,281,505) was recognised in revenue in the year; £1,331,374 (2022: £1,425,253) was recognised as an interest charge in the year; and £28,095,565 (2022: £29,763,066) was receivable at the end of the year.

13 Trade receivables - credit risk

Fair value of trade receivables

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

INSPIREDSPACES ROCHDALE (PROJECTCO2) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

13 Trade receivables - credit risk

(Continued)

No significant receivable balances are impaired at the reporting end date. The Company has a contract obligation to the finance debtor and expects to recover the full value of the trade receivables.

14 Borrowings

| | Current 2023 £ | 2022 £ | Non-current 2023 £ | 2022 £ |
|---|----------------------|------------------|--------------------------|-------------------|
| Borrowings held at amortised cost: | | | | |
| Bank loans | 1,632,236 | 1,453,061 | 22,485,822 | 24,118,059 |
| Loans from parent undertaking | 1,019,663 | 806,979 | 2,713,700 | 2,923,336 |
| | <u>2,651,899</u> | <u>2,260,040</u> | <u>25,199,522</u> | <u>27,041,395</u> |
| | | | 2023 £ | 2022 £ |
| Secured borrowings included above: | | | | |
| Bank loans | | | 24,118,058 | 25,571,120 |
| | | | <u>24,118,058</u> | <u>25,571,120</u> |

'Loans from parent undertaking' is 11% unsecured loan stock which is repaid in unequal, semi-annual tranches until March 2038.

The bank loan relates to a 4.17% term loan facility provided by Aviva Public Private Finance Limited which is repayable in unequal quarterly instalments until March 2038. All amounts drawn under the facility are secured by fixed and floating charges over the total assets of the Company and its parent company, Inspiredspaces Rochdale (Holdings2) Limited.

15 Fair value of financial liabilities

The Directors consider that the carrying amounts of financial liabilities carried at amortised cost in the financial statements approximate to their fair values.

INSPIREDSPACES ROCHDALE (PROJECTCO2) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

16 Liquidity risk

The following table details the remaining contractual maturity for the Company's financial liabilities with agreed repayment periods. The contractual maturity is based on the earliest date on which the Company may be required to pay.

| | Less than 1 month £ | 1 - 3 months £ | 3 months to 1 year £ | 1 - 5 years £ | 5+ years £ | Total £ |
|-------------------------------------|---------------------------|-------------------|----------------------------|------------------|-------------------|-------------------|
| At 31 December 2022 | | | | | | |
| Bank loan | - | 370,916 | 1,112,700 | 6,492,986 | 18,052,816 | 26,029,418 |
| Loans from parent undertaking | 640,544 | 83,911 | 85,572 | 882,722 | 2,084,054 | 3,776,803 |
| Trade and other payables | 2,079,993 | - | - | - | - | 2,079,993 |
| | <u>2,720,537</u> | <u>454,827</u> | <u>1,198,272</u> | <u>7,375,708</u> | <u>20,136,870</u> | <u>31,886,214</u> |
| At 31 December 2023 | | | | | | |
| Bank loan | - | 417,156 | 1,215,080 | 6,469,448 | 16,016,374 | 24,118,058 |
| Loans from parent undertaking | 810,027 | 102,878 | 106,757 | 903,760 | 1,809,941 | 3,733,363 |
| Trade and other payables | 1,691,510 | - | - | - | - | 1,691,510 |
| | <u>2,501,537</u> | <u>520,034</u> | <u>1,321,837</u> | <u>7,373,208</u> | <u>17,826,315</u> | <u>29,542,931</u> |

Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company has adopted a cautious approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet its obligations as they fall due. The Company maintains a financial model that forecasts future income and expenditure, allowing the Directors to effectively monitor future cashflows.

INSPIRESPACES ROCHDALE (PROJECTCO2) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

17 Reconciliation of financing cash flows

| | Other loans and borrowings | Total |
|--|----------------------------|-------------------|
| | £ | £ |
| At 1 January 2022 | 30,641,577 | 30,641,577 |
| Principal payment | (1,373,744) | (1,373,744) |
| <i>Other movements</i> | - | - |
| Interest expense | 1,740,248 | 1,740,248 |
| Interest paid | (2,330,155) | (2,330,155) |
| Reduction in sub debt interest accrual | 589,907 | 589,907 |
| Amortisation of debt issue costs | 33,601 | 33,601 |
| At 31 December 2022 | 29,301,436 | 29,301,436 |
| Principal payment | (1,483,616) | (1,483,616) |
| <i>Other movements</i> | - | - |
| Interest expense | 1,675,839 | 1,675,839 |
| Interest paid | (1,927,226) | (1,927,226) |
| Reduction in sub debt interest accrual | 251,387 | 251,387 |
| Amortisation of debt issue costs | 33,601 | 33,601 |
| At 31 December 2023 | 27,851,422 | 27,851,422 |

18 Trade and other payables

| | 2023 | 2022 |
|----------------|------------------|------------------|
| | £ | £ |
| Trade payables | 4,765 | 7,949 |
| Accruals | 1,686,745 | 1,978,462 |
| Other taxation | 326,024 | 93,582 |
| | <u>2,017,534</u> | <u>2,079,993</u> |

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs with credit periods between 14 and 31 days. The Company's policy is to settle all trade payables by monthly payment run towards the end of each month such that all trade payables are settled within their credit terms.

INSPIRESPACES ROCHDALE (PROJECTCO2) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

19 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting period.

| | Tax losses £ |
|---|-------------------------|
| Asset at 1 January 2022 | (145,510) |
| Deferred tax movements in prior year | |
| Charge/(credit) to profit or loss | (109,130) |
| Asset at 1 January 2023 | (254,640) |
| Deferred tax movements in current year | |
| Charge/(credit) to profit or loss | 143,612 |
| Asset at 31 December 2023 | (111,028) |

The Company has taxable losses carried forward from previous years due to costs incurred for historic remedial works at the sites that the Company manages. The Company prepares a detailed financial model which shows that the Company will generate taxable profits in future years in excess of taxable losses at the year end. On that basis, the Company has recognised a deferred tax asset equal to the taxable losses multiplied by the expected tax rate of when those losses will be utilised.

20 Share capital

| | 2023 Number | 2022 Number | 2023 £ | 2022 £ |
|--|------------------------|------------------------|-------------------|-------------------|
| Ordinary share capital Authorised | | | | |
| Ordinary shares of £1 each | 10,000 | 10,000 | 10,000 | 10,000 |
| Issued and fully paid | | | | |
| Ordinary shares of £1 each | 10,000 | 10,000 | 10,000 | 10,000 |

The Company has one class of Ordinary shares which carry rights to receive dividends as declared from time to time and entitle the holder to one vote per share at meetings of the Company.

21 Retained earnings

Retained earnings represents the cumulative profit and loss net of distributions to owners.

INSPIREDSPACES ROCHDALE (PROJECTCO2) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

22 Capital risk management

The Company manages its cash, borrowings and equity as capital.

The Company's principal objective is to ensure that it has sufficient capital to fund its operations. In developing business plans, the Directors consider the likely capital requirements and how to fund them. Following the completion of the construction phase of the projects that the Company manages, it is expected that any additional capital requirements would be met through management of borrowings owed to the Company's parent company.

The Company is not subject to any externally imposed capital requirements.

23 Related party transactions

During the year the Company entered into the following transactions with related parties:

| | Purchase of goods | |
|---|--------------------------|---------------|
| | 2023 | 2022 |
| | £ | £ |
| Entities with joint control or significant influence over the company | 35,357 | 31,428 |
| | <u>35,357</u> | <u>31,428</u> |

Transactions above include fees for directors' services charged by third parties.

The following amounts were outstanding at the reporting end date:

| | 2023 | 2022 |
|---------------------------------------|------------------|------------------|
| | £ | £ |
| Amounts due to related parties | | |
| Parent company | 3,776,803 | 3,776,803 |
| | <u>3,776,803</u> | <u>3,776,803</u> |

Amounts due to parent company represent loan capital balances outstanding to the parent company.

24 Controlling party

The Company is a subsidiary undertaking of Inspiredspaces Rochdale (Holdings2) Limited, a company incorporated in the United Kingdom, with the same registered office as the Company. Copies of the parent company's financial statements can be obtained from the registered office or from Companies House.

The financial statements of the Company are not incorporated into any group consolidated financial statements.

INSPIREDSPACES ROCHDALE (PROJECTCO2) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

25 Cash generated from operations

| | 2023 £ | 2022 £ |
|--|------------------|------------------|
| Profit/(loss) for the year before income tax | 516,150 | (436,526) |
| Adjustments for: | | |
| Finance costs | 1,709,440 | 1,773,849 |
| Investment income | (1,371,715) | (1,436,733) |
| Movements in working capital: | | |
| Decrease in finance debtor | 1,667,501 | 1,380,398 |
| Decrease/(increase) in trade and other receivables | 3,907 | (7,633) |
| Decrease in trade and other payables | (62,459) | (12,912) |
| Cash generated from operations | 2,462,824 | 1,260,443 |

