QED Luton (Challney) Limited

Directors' report and financial statements

for the year ended 31 December 2017

Registered number 06857410

Directors' report and financial statements for the year ended 31 December 2017

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Officers and professional advisers

Directors

G J Miller
R S Porter
K L Flaherty

Company secretary

Pario Limited

Registered office

2 Hunting Gate
Wilbury Way
Hitchin
Hertfordshire
SG4 0TJ

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2017.

Review of business

The principal activity of the company is that of private finance concessionaire for Luton Schools project under the terms of a concession agreement dated 6 June 2009 between the company and Luton Borough Council. The construction of Challney Girls School was completed in December 2010, and the operational services commenced. In the year ending 31 December 2017 the principal activity has focused upon the operation of new school buildings at Challney Girls School.

The risks and uncertainties at this stage of the project centre on availability of the school and performance of the related services, and deductions are levied on any underperformance, and any such deductions are passed down to the relevant service provider under the terms of their sub-contracts. In the year to 31 December 2017 there were availability and performance deductions of £nil (2016: £9k), representing 0% of the unitary charge income, which is an acceptable level of performance. This forms the primary key performance indicator, along with monitoring of costs against budget.

The company has made a profit before taxation of £161k (2016: £139k) for the financial year on turnover of 1,141k (2016: £1,020k).

At 31 December 2017 the company had net liabilities of £6,871K (2016: £7,515k).

The Directors have approved and paid dividends of £119k in 2017 (2016: £119k).

This report has been prepared in accordance with the special provisions relating to small companies within part 15 of the Companies Act 2006.

Directors

The directors holding office during the year and up to the date of this report are set out below. Directors were in office for the entire year unless otherwise stated:

R S Porter
G J Miller
K L Flaherty

Contributions for charitable and political purposes

The company made no political or charitable donations during the year (2016 : £nil).

Disclosure of information to auditors

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

Directors' report (continued)

Independent auditors

In accordance with s.487 of the Companies Act 2006, a resolution for the appointment of PricewaterhouseCoopers LLP as auditors' of the company is to be proposed at the forthcoming annual general meeting.

Statement of directors responsibilities in respect of the financial statements

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 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.

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.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the Board of Directors and signed on behalf of the Board

Director

18 | 9 | 2018

Robin Porter

Independent auditors' report to the members of QED Luton (Challney) Limited

Report on the audit of the financial statements

Opinion

In our opinion, QED Luton (Challney) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared 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" Section 1A, and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet as at 31 December 2017; the statement of comprehensive income, the statement of changes in equity for the year then ended; including the accounting policies; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

1. Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

2. Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

3. Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

4. 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

5. Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statem
- ents are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Jonathan Hook (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

25 Sept 2018

Statement of Comprehensive Income

For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Turnover	2	1,141	1,020
Cost of sales		(730)	(642)
Gross profit		411	378
Administrative expenses		(204)	(197)
Operating profit	3	207	181
Net interest payable and similar expenses	5	(46)	(42)
Profit before taxation		161	139
Tax on profit	6	(31)	(28)
Profit for the financial year		130	111
Other Comprehensive income/(expense)			
Fair Value gains/(losses) on interest rate swaps		792	(1,899)
Tax recognised in relation to change in fair value cash flow hedges		(159)	380
Other comprehensive income/(expense) for the year		633	(1,519)
Total Comprehensive income/(expense) for the year		763	(1,408)

All activities relate to continuing operations.

All turnover relates solely to continuing activities in a single class of business within the United Kingdom.

The notes on pages 10 to 20 form part of these financial statements

Balance sheet
as at 31 December 2017

	Note	2017 £'000	2016 £'000
Current assets			
Debtors: amounts falling due after more than one year	7	26,273	27,084
Debtors: amounts falling due within one year	7	784	635
Cash at bank and in hand		3,093	2,894
Creditors: amounts falling due within one year	8	(2,591)	(2,545)
Net current assets		27,559	28,068
Creditors: amounts falling due after more than one year	8	(34,430)	(35,583)
Net liabilities		(6,871)	(7,515)
Capital and reserves			
Called up share capital	11	-	-
Cash flow hedge reserve		(6,905)	(7,538)
Profit and loss account		34	23
Total shareholders' deficit		(6,871)	(7,515)

The notes on pages 10 to 20 form part of these financial statements.

These financial statements were approved by the Board of Directors on 18/9/2018 and signed on its behalf by:

....

Director

Robin Porter
18/9/18.

Registered number: 06857410

Statement of Changes in Equity

For the year ended at 31 December 2017

	Called up Share capital £'000	Cash flow hedge reserve £'000	Profit and loss account £'000	Total shareholders' deficit £'000
Balance as at 1 January 2017	-	(7,538)	23	(7,515)
Total comprehensive income for the year				
Profit for the financial year	-	-	130	130
Other comprehensive income	-	633	-	633
Total comprehensive income for the year	-	633	130	763
Dividends	-	-	(119)	(119)
Total distributions to owners	-	-	(119)	(119)
Balance as at 31 December 2017	**-**	**(6,905)**	34	**(6,871)**

The notes on pages 10 to 20 form part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2017

1. Accounting policies

QED Luton (Challney) Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting* Standard applicable in the UK and Republic of Ireland (" FRS102") and the requirements of the Companies Act 2006. The presentation currency of these financial statements is sterling.

The Company's parent undertaking, QED Luton (Challney) Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of QED Luton (Challney) Holdings Limited are prepared in accordance with FRS102 and are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ. In these financial statements, the Company is considered to be a qualifying entity (for the purpose 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.
- Basic Financial Instruments section 11 and Other Financial Instrument Issues section 12 Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income.

Notes to the financial statements

For the year ended 31 December 2017 (continued)

1. Accounting policies (continued)

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in this note.

Measurement convention

These financial statements are prepared on the historic cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

Going concern

The directors have reviewed the company's projected profits and cash flows by reference to a financial model covering accounting periods up to March 2036. They have also examined the current status of the company's principal contracts and likely developments in the foreseeable future. Having reviewed the financial facilities available to the company, the directors consider that the company will be able to settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concern basis

Basic financial instruments

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. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Notes to the financial statements

for the year ended 31 December 2017 (continued)

1. Accounting policies (continued)

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 the statement of comprehensive income 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)

Cash flow hedges

The Company has entered into an interest rate swap and designated these as hedges for highly probable forecast transaction. The effective part of any gain or loss on the derivative financial instrument is recognised directly in Other comprehensive income. Any ineffective portion of the hedge is recognised immediately in 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 in no longer expected to take place, the cumulative unrealised gain or loss is recognised in the income statement immediately.

Notes to the financial statements

for the year ended 31 December 2017 (continued)

1. Accounting policies (continued)

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 effect 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 at 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.

Finance debtor

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 Authority.

During the construction phase of the project, all attributable expenditure and interest is included in amounts recoverable on contracts and turnover.

Upon becoming operational, the costs are transferred to the finance debtor and income derived from the PFI contracts is allocated between the provision of the asset and the provision of subsequent operating services. Upon acceptance of the constructed asset, the finance debtor is amortised over the life of the contract against the relevant portion of the assured contract income.

Major maintenance costs are recognised on a contractual basis and the revenue in respect of these services is recognised when these services are performed.

Notes to the financial statements

For the year ended 31 December 2017 (continued)

1. Accounting policies (continued)

Taxation

The charge for taxation is based on the profit for the financial year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date.

Debt issue costs

Costs arising in connection with the arrangement of loan finance are offset against the carrying value of the loan and are amortised through the profit and loss account over the term of the loan.

Turnover

Turnover is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Turnover from operating services

Turnover from the provision of the operating services is recognised as contract activity progresses at a mark-up on related costs to reflect the value of work performed. This mark-up is calculated as total operating income receivable over the concession, less all service costs and other operating costs payable over the concession. Any consideration received which is not recognised as turnover, is deferred to deferred income on the balance sheet, and recognised as turnover as contract activity progresses.

Accounting estimates and judgements

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

Notes to the financial statements
For the year ended 31 December 2017 (continued)

1. Accounting policies (continued)

- Accounting for the service concession contract and finance debtors requires of estimation of service margins, finance debtors interest rates and associated amortisation profile which is based on forecasted results of the PFI contract.

2. Turnover

	2017	2016
	£'000	£'000
Operating revenue as PFI concessionaire in UK	1,141	1,020
	1,141	1,020

3. Operating profit

	2017	2016
	£'000	£'000
Operating profit is stated after charging:		
Auditors' remuneration for:		
Audit of these financial statements	6	6

4. Staff numbers and costs

The company had no (2016: nil) employees (excluding directors) during the year. Amounts paid to third parties in respect of directors' services totalled £25k (2016: £25k).

5. Net interest payable and similar expenses

	2017	2016
	£'000	£'000
Interest payable and similar expenses		
Bank borrowings	(1,768)	(1,815)
Parent company loan	(323)	(325)
Amortisation of issue costs	(27)	(28)
	(2,118)	(2,168)
Interest receivable and similar income		
Bank interest receivable	6	13
Interest receivable on finance debtor	2,066	2,113
	2,072	2,126
Net interest payable and similar expenses	(46)	(42)

Notes to the financial statements

For the year ended 31 December 2017 (continued)

6. Tax on profit

The tax assessed for the year is equal to the standard rate of corporation tax in the UK of 19.25% (2016: 20.0%), as shown below.

Tax charge included in profit or loss	**2017 £'000**	2016 £'000
Profit before taxation	161	139
Profit multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20.0%)	(31)	(28)

Tax (charge)/credit included in *Comprehensive income/(expense)*	**2017 £'000**	2016 £'000
Current tax	-	-
Deferred taxation		
Timing differences, origination and reversal	(159)	380
Total tax (charge)/credit included in other comprehensive income/(expense)	(159)	380

For the year ended 31 December 2017 the current tax charge is £31k (2016: £28k).

7. Debtors

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Finance receivable	652	602
Prepayments and accrued income	14	33
Other Debtors	118	-
	784	635
Amounts falling due after more than one year:		
Finance receivable	24,547	25,199
Deferred Tax Asset (note 10)	1,726	1,885
	26,273	27,084

Notes to the financial statements

for the year ended 31 December 2017 (continued)

8. Creditors

	2017	2016
	£'000	£'000
Amounts falling due within one year:		
Trade creditors	127	4
Senior debt	649	572
Subordinated loan – due to parent undertaking	9	11
Corporation tax	31	28
VAT payable	152	164
Accruals and deferred income	1,920	1,766
Un-amortised issue costs	(297)	-
	2,591	2,545
Amounts falling due after more than one year:		
Senior debt	23,175	23,824
Subordinated loan – due to parent undertaking	2,624	2,633
Other Financial instruments (note 12)	8,631	9,423
	34,430	35,880
Un-amortised issue costs	-	(297)
	34,430	35,583

The intercompany loan is at an interest rate of 12.25% and is repayable by 31st December 2035.

9. Loans

Bank and subordinated loan

The sub debt loan interest rate was 4.25% per annum until completion of the construction of the first school, completed on 31 December 2010, when the interest rate increased to 12.25% per annum, and the sub-debt loan is unsecured and is repayable by instalments between 30 September 2011 and 31 December 2035.

The senior debt is secured by way of a first fixed charge over the company's interest in the finance receivable asset. The interest rate on the senior debt is 7.22%.

Notes to the financial statements
for the year ended 31 December 2017 (continued)

Maturity of debt:

	2017 £'000	2016 £'000
Within one year	658	583
Between one and two years	619	658
Between two and five years	2,282	1,978
After five years	22,898	23,821
Un-amortised issue costs	(297)	(297)
	26,160	26,743

10. Deferred tax asset

Deferred tax asset is attributable to the following:

	2017 £'000	2016 £'000
Deferred Tax on revaluation of fair value derivatives	1,726	1,885

Deferred tax asset is recognised on the revaluation of the SWAP derivatives on the interest rate SWAP held by the Company. These are accounted for under cash flow hedges (see note 12)

Reversal of the deferred tax asset is shown through the cash flow hedge reserve and is expected to reverse after more than one year.

11. Called up share capital

	2017 £	2016 £
Authorised:		
100 (2016: 100) ordinary shares of £1.00 each	100	100
Allotted and fully paid:		
100 (2016: 100) ordinary shares of £1.00 each	100	100

No ordinary shares were issued at par during the year.

Cash flow 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.

Notes to the financial statements
for the year ended 31 December 2017 (continued)

12. Financial instruments

(a) Carrying amount of financial instruments

	2017	2016
Assets measured at amortised cost	£'000	£'000
-Finance Debtor	25,199	25,801
-Trade and other debtors	-	-
	25,199	25,801
Assets measured at cost less impairment		
-Cash and cash equivalents	3,093	2,894
	3,093	2,894
Liabilities measured at Amortised Cost		
-Trade and other payables	(2,230)	(2,572)
-Senior Loan	(23,824)	(24,396)
-Subordinated debt	(2,633)	(2,644)
	(28,687)	(29,612)
Liabilities measured at fair value through other comprehensive income		
-Interest rate swaps	(8,631)	(9,423)

(b) Carrying amount of financial instruments

Derivative financial instruments

The fair value of interest rate swaps is based on broker quotes. These quotes are tested for reasonableness by discounting estimated cash flows based upon the terms of each contract and using market interest rates for a similar instrument at the measurement date.

(c) Hedge Accounting

The Company has entered into an interest rate swap agreement in relation to the senior loan, both the senior loan and interest rate swap expire in June 2035. A fixed rate of 4.715% 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 above rate.

(d) Fair Values

The amounts for all financial assets and financial liabilities carried at fair value are as follows:

	2017	2016
	£'000	£'000
-Interest Rate SWAP contract	(8,631)	(9,423)

Notes to the financial statements

for the year ended 31 December 2017 (continued)

13. Related party transactions

Name of party	Purchases from related party £'000	Sales to related party £'000	Amount due to related party at 31 December 2017 £'000
Wates Construction Limited	572		
Luton Learning & Community Partnership Limited	123		272
Luton Borough Council	157	3,962	1,224
BSFI Limited	157		1,224

Luton Learning & Community Partnership Limited has a 10% shareholding in the joint venture, QED Luton (Challney) Holdings Limited, the parent company of QED Luton (Challney) Limited. The purchases from Luton Learning & Community Partnership Limited comprised Management services; accounting services and director fee services.

Wates Construction Limited has an 80% shareholding of Luton Learning & Community Partnership Limited and an indirect 8% shareholding of QED Luton (Challney) Holdings Limited. The purchases from Wates Construction Limited comprised Facility management services.

14. Ultimate parent company and controlling party

QED Luton (Challney) Holdings Limited, the parent company of QED Luton (Challney) Limited owns 100% of the share capital. This is the smallest and ultimate group in which the company results are consolidated. The financial statements are available from the registered office, 2 Hunting Gate, Wilbury Way, Hitchin, Hertfordshire, SG4 0TJ.

QED Luton (Challney) Holdings Limited is a joint venture, which is owned 10% by Luton Learning & Community Partnership Limited and 45% by both Luton Borough Council and Building Schools for Future Investments LLP. QED Luton (Challney) Holdings Limited is under the joint control of its 3 shareholders, and therefore there is no ultimate controlling party.

15. Post balance sheet events

On 15th March 2018 the Company refinanced its senior debt borrowings, and the existing floating interest rate loan and interest rate SWAP were repaid in full from the proceeds of a new fixed interest rate loan.