

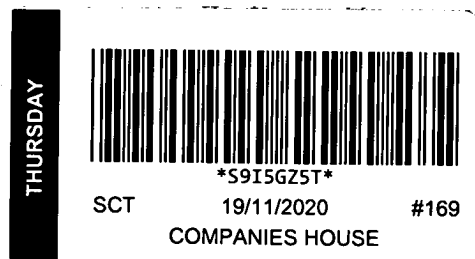
COMPANY REGISTRATION NUMBER: SC291034

**Stirling Gateway Limited**  
**Annual Report and Financial Statements**  
**31 March 2020**

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**Stirling Gateway Limited**  
**Annual Report and Financial Statements**  
**Year Ended 31 March 2020**

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# **Stirling Gateway Limited**

## **Officers and Professional Advisers**

|                               |   |
|-------------------------------|---|
| <b>The Board of Directors</b> | K O'Brien (Appointed 17 April 2020)<br>J Cavill<br>D Spiller<br>D Gilmour<br>D Smith<br>R G Jack (Resigned 17 April 2020)<br>D Vermeer          |
| <b>Company Secretary</b>      | Dentons Secretaries Limited   |
| <b>Registered Office</b>      | Quartermile One<br>15 Lauriston Place<br>Edinburgh<br>EH3 9EP   |
| <b>Independent Auditors</b>   | PricewaterhouseCoopers LLP<br>Chartered Accountants & Statutory Auditors<br>Level 4<br>Atria One<br>144 Morrison Street<br>Edinburgh<br>EH3 8EX |
| <b>Bankers</b>                | Royal Bank of Scotland Plc<br>PO Box 412<br>62/63 Threadneedle Street<br>London<br>EC2R 8LA   |
| <b>Solicitors</b>             | Dentons UKMEA LLP<br>Quartermile One<br>15 Lauriston Place<br>Edinburgh<br>EH3 9EP  |

# **Stirling Gateway Limited**

## **Directors' Report**

### **Year Ended 31 March 2020**

The directors present their report and the audited Annual Report and Financial Statements of Stirling Gateway Limited ("the Company") for the year ended 31 March 2020.

#### **Principal Activities**

The principal activity of the Company is the provision of design, construction, finance and facilities management services for five schools and a community campus to Stirling Council under the Government's Public Private Partnership (PPP) programme. The duration of the contract is 33 years. The 27 month construction phase is complete and 31 year service delivery period ends on the 13 August 2039.

#### **Performance Review**

The profit for the financial year, after taxation, amounted to £1,021,000 (2019: £956,906).

The profit for the financial year will be transferred to reserves.

The directors are satisfied with the overall performance of the Company and do not foresee any significant change in the Company's activities in the coming financial year.

Coronavirus was declared a pandemic in March 2020 and since then there has been widespread disruption in the UK. The directors have considered the current and future financial impact to the Company of this pandemic, taking into account the sources of income and potential additional expenditure. There has been no break in service availability and payments have continued to be received under their normal terms from Stirling Council throughout the pandemic and up to the date of approval of these financial statements. It is the directors' view that the risk of non-payment is remote and the income receivable by the project in the future should not be impacted. In addition, the expected expenditure has not, and in future should not, see material variation from its current level, and key suppliers (primarily the facilities manager) are able to, and to the date of this report have continued to, service the project. Although the likely full impact is unknown, and at this stage is not fully possible to quantify, it is not expected to materially impact on the operations or the financial position of the Company.

#### **Key Performance Indicators**

The performance of the Company from a cash perspective is assessed six monthly by the testing of the covenants of the senior debt provider. The key indicator being the debt service cover ratio. The Company has been performing well and has been compliant with the covenants laid out in the Group loan agreement.

#### **Going Concern**

The directors acknowledge that the Company is in net liabilities, however this is a result of the interest rate and RPI swaps, which are significantly out of the money, being included on the Statement of Financial Position. After reviewing the Company's forecasts and projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

#### **Directors**

The directors who served the Company during the year and up to the date of this report were as follows:

J Cavill  
D Spiller

# **Stirling Gateway Limited**

## **Directors' Report** *(continued)*

### **Year Ended 31 March 2020**

D Gilmour  
D Smith  
D Vermeer  
K O'Brien  
R G Jack

(Appointed 17 April 2020)  
(Resigned 17 April 2020)

#### **Dividends**

Particulars of dividends paid are detailed in note 11 to the financial statements.

#### **Financial Risk**

Due to the nature of the Company's business, the financial risks the directors consider relevant to this Company are credit, interest rate, cash flow and liquidity risk. The credit risk is not considered significant as the client is a quasi governmental organisation.

##### ***Interest rate risk***

The financial risk management objectives of the Company are to ensure that financial risks are mitigated by the use of financial instruments. The Company uses interest rate swaps to reduce its exposure to interest rate movements. Financial instruments are not used for speculative purposes.

##### ***Cash flow and liquidity risk***

Many of the cash flow risks are addressed by means of contractual provisions. The Company's liquidity risk is principally managed through financing the Company by means of long-term borrowings.

#### **Events after the End of the Reporting Period**

Particulars of events after the reporting date are detailed in note 19 to the Annual Report and Financial Statements.

#### **Qualifying Third Party Indemnity Provisions**

The Company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

#### **Small Company Provisions**

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

#### **Disclosure of Information to Auditors**

Each of the persons who is a director at the date of approval of this report confirms that:

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

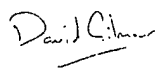
The auditors, PricewaterhouseCoopers LLP, are deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

# **Stirling Gateway Limited**

## **Directors' Report** *(continued)*

### **Year Ended 31 March 2020**

This report was approved by the board of directors on 30 September 2020 and signed by order of the board by:



D Gilmour  
Director

# **Stirling Gateway Limited**

## **Directors' Responsibilities Statement**

### **Year Ended 31 March 2020**

The directors are responsible for preparing the Directors' Report and the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the Annual Report and Financial Statements for each financial year. Under that law the directors have prepared the Annual Report and Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland ("FRS 102"), and applicable law).

Under company law the directors must not approve the Annual Report and Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

In preparing the Annual Report and Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the Annual Report and Financial Statements; and
- prepare the Annual Report and 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.

# **Stirling Gateway Limited**

## **Independent Auditors' Report to the Members of Stirling Gateway Limited**

**Year Ended 31 March 2020**

### **Report on the Audit of the Financial Statements**

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#### **Opinion**

In our opinion, Stirling Gateway Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 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", 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 and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 March 2020; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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#### **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.

#### **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.

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#### **Conclusions Relating to Going Concern**

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

- 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.



# **Stirling Gateway Limited**

## **Independent Auditors' Report to the Members of Stirling Gateway Limited**

*(continued)*

**Year Ended 31 March 2020**

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### **Reporting on Other Information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's 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.

### **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 March 2020 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.

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### **Responsibilities for the Financial Statements and the Audit**

#### **Responsibilities of the Directors for the Financial Statements**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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.

#### **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.

# **Stirling Gateway Limited**

## **Independent Auditors' Report to the Members of Stirling Gateway Limited** *(continued)*

### **Year Ended 31 March 2020**

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### **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.

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#### **Other Required Reporting**

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##### **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 statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

# **Stirling Gateway Limited**

## **Independent Auditors' Report to the Members of Stirling Gateway Limited** (continued)

**Year Ended 31 March 2020**

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### **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 in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Matthew Kaye (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants & Statutory Auditors  
Edinburgh

30 September 2020

# Stirling Gateway Limited

## Statement of Comprehensive Income

Year Ended 31 March 2020

|   | Note      | 2020<br>£          | 2019<br>£          |
|---|-----------|--------------------|--------------------|
| <b>Turnover</b>   | <b>4</b>  | <b>5,227,798</b>   | 4,935,467          |
| Cost of sales   |           | <b>(4,422,985)</b> | <b>(4,392,498)</b> |
| <b>Gross profit</b>   |           | <b>804,813</b>     | 542,969            |
| Administrative expenses   |           | <b>(702,668)</b>   | (670,611)          |
| Other operating income  | <b>5</b>  | <b>1,166,210</b>   | 1,166,210          |
| <b>Operating profit</b>   | <b>6</b>  | <b>1,268,355</b>   | 1,038,568          |
| Other interest receivable and similar income                      | <b>8</b>  | <b>4,874,542</b>   | 4,980,294          |
| Interest payable and similar expenses                             | <b>9</b>  | <b>(4,883,350)</b> | <b>(4,837,654)</b> |
| <b>Profit before taxation</b>                                     |           | <b>1,259,547</b>   | 1,181,208          |
| Tax on profit   | <b>10</b> | <b>(238,547)</b>   | (224,302)          |
| <b>Profit for the financial year</b>                              |           | <b>1,021,000</b>   | 956,906            |
| Fair value movements on cash flow hedging instruments, net of tax |           | <b>4,856,027</b>   | <b>(1,457,216)</b> |
| <b>Total comprehensive income/(expense) for the year</b>          |           | <b>5,877,027</b>   | <b>(500,310)</b>   |

All the activities of the Company are from continuing operations.

The notes on pages 13 to 24 form part of these Financial Statements.

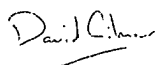
# Stirling Gateway Limited

## Statement of Financial Position

As at 31 March 2020

|  | Note | 2020<br>£            | 2019<br>£            |
|--|------|----------------------|----------------------|
| <b>Current assets</b>  |      |                      |                      |
| Debtors: amounts falling due within one year                   | 12   | 4,401,417            | 4,163,003            |
| Debtors: amounts falling due after more than one year          | 12   | 100,076,086          | 102,574,224          |
| Cash at bank and in hand                                       |      | 6,849,123            | 6,766,872            |
|  |      | <b>111,326,626</b>   | <b>113,504,099</b>   |
| <b>Creditors: amounts falling due within one year</b>          | 13   | <b>(6,115,008)</b>   | <b>(6,024,632)</b>   |
| <b>Net current assets</b>                                      |      | <b>105,211,618</b>   | <b>107,479,467</b>   |
| <b>Total assets less current liabilities</b>                   |      | <b>105,211,618</b>   | <b>107,479,467</b>   |
| <b>Creditors: amounts falling due after more than one year</b> | 14   | <b>(130,460,886)</b> | <b>(138,250,589)</b> |
| <b>Net liabilities</b>   |      | <b>(25,249,268)</b>  | <b>(30,771,122)</b>  |
| <b>Capital and reserves</b>                                    |      |                      |                      |
| Called up share capital  | 17   | 50,000               | 50,000               |
| Hedging reserve  | 18   | (31,187,759)         | (36,043,786)         |
| Retained earnings  | 18   | 5,888,491            | 5,222,664            |
| <b>Total shareholders' deficit</b>                             |      | <b>(25,249,268)</b>  | <b>(30,771,122)</b>  |

The Financial Statements were approved by the board of directors and authorised for issue on 30 September 2020, and are signed on behalf of the board by:



D Gilmour  
Director

Company registration number: SC291034

The notes on pages 13 to 24 form part of these Financial Statements.

# Stirling Gateway Limited

## Statement of Changes in Equity

Year Ended 31 March 2020

|  |    | Called up<br>share capital<br>£ | Hedging<br>reserve<br>£ | Retained<br>earnings<br>£ | Total<br>£          |
|--|----|---------------------------------|-------------------------|---------------------------|---------------------|
| <b>At 1 April 2018</b>   |    | 50,000                          | (34,586,570)            | 4,652,970                 | (29,883,600)        |
| Profit for the financial year  |    |                                 |                         | 956,906                   | 956,906             |
| Other comprehensive income for the year:                             |    |                                 |                         |                           |                     |
| Fair value movements on cash flow hedging<br>instruments, net of tax |    | —                               | (1,457,216)             | —                         | (1,457,216)         |
| <b>Total comprehensive expense for the year</b>                      |    | —                               | (1,457,216)             | 956,906                   | (500,310)           |
| Dividends paid and payable   | 11 | —                               | —                       | (387,212)                 | (387,212)           |
| <b>Total investments by and distributions to<br/>owners</b>          |    | —                               | —                       | (387,212)                 | (387,212)           |
| <b>At 31 March 2019</b>  |    | 50,000                          | (36,043,786)            | 5,222,664                 | (30,771,122)        |
| Profit for the financial year  |    |                                 |                         | 1,021,000                 | 1,021,000           |
| Other comprehensive income for the year:                             |    |                                 |                         |                           |                     |
| Fair value movements on cash flow hedging<br>instruments, net of tax |    | —                               | 4,856,027               | —                         | 4,856,027           |
| <b>Total comprehensive income for the year</b>                       |    | —                               | 4,856,027               | 1,021,000                 | 5,877,027           |
| Dividends paid and payable   | 11 | —                               | —                       | (355,173)                 | (355,173)           |
| <b>Total investments by and distributions to<br/>owners</b>          |    | —                               | —                       | (355,173)                 | (355,173)           |
| <b>At 31 March 2020</b>  |    | <u>50,000</u>                   | <u>(31,187,759)</u>     | <u>5,888,491</u>          | <u>(25,249,268)</u> |

Included in the fair value movement on cash flow hedging instruments is £2,694,651 (2019: £2,773,792) that was recycled through Interest Payable in the Statement of Comprehensive Income.

The notes on pages 13 to 24 form part of these Financial Statements.

# **Stirling Gateway Limited**

## **Notes to the Annual Report and Financial Statements**

### **Year Ended 31 March 2020**

#### **1. General Information**

Stirling Gateway Limited ("the Company") is a private company limited by shares and is incorporated and domiciled in the UK. The address of its registered office is Quatermile One, 15 Lauriston Place, Edinburgh, EH3 9EP.

The principal activity of the Company is the provision of design, construction, finance and facilities management services for five schools and a community campus to Stirling Council under the Government's Public Private Partnership (PPP) programme. The duration of the contract is 33 years. The 27 month construction phase is complete and 31 year service delivery period ends on the 13 August 2039.

The Company's functional and presentation currency is the pound sterling.

#### **2. Statement of Compliance**

The individual financial statements of Stirling Gateway Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS 102") and the Companies Act 2006.

#### **3. Accounting Policies**

##### **(a) Basis of preparation**

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed further in the accounting policies.

The accounting policies stated below have been consistently applied to the years presented, unless otherwise stated.

##### **(b) Going concern**

The directors acknowledge that the Company is in net liabilities, however this is a result of the Interest rate and RPI swaps, which are significantly out of the money. It is not the intention to close out these instruments before their maturity date, therefore there is no impact on the Company's ability to meet its liabilities as they fall due. After reviewing the Company's forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

The directors have considered the future financial impact to the Company of the Coronavirus as disclosed in the Directors' Report, and although the likely full impact is unknown, and at this stage is not possible to quantify, there has been no impact on the results of the Company up to the date of signing this report, and it is not expected to materially impact operations or the financial position going forward.

# **Stirling Gateway Limited**

## **Notes to the Annual Report and Financial Statements** *(continued)*

### **Year Ended 31 March 2020**

#### **3. Accounting Policies** *(continued)*

##### **(c) Disclosure exemptions**

The Company has taken advantage of the exemption in FRS 102 Section 7 'Statement of Cash Flows' part 1B, which states that a small company is not required to prepare a cash flow statement.

##### **(d) Judgments and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. These estimates and judgments are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### **Key sources of estimation uncertainty**

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty are as follows:

##### **i) Impairment of assets**

The carrying value of those assets recorded in the Company's Statement of Financial Position, at amortised cost, could be materially reduced where circumstances exist which might indicate that an asset has been impaired and an impairment review is performed. Impairment reviews consider the fair value and/or value in use of the potentially impaired asset or assets and compare that with the carrying value of the asset or assets in the Statement of Financial Position. Any reduction in value arising from such a review would be recorded in the Statement of Comprehensive Income. Impairment reviews involve the significant use of assumptions. Consideration has to be given as to the price that could be obtained for the asset or assets, or in relation to a consideration of value in use, estimates of the future cash flows that could be generated by the potentially impaired asset or assets, together with a consideration of an appropriate discount rate to apply to those cash flows.

##### **(e) Revenue recognition**

Turnover represents the services' share of the management services income received by the Company for the provision of a PFI asset to the customer. This income is received over the life of the concession period. Management service income is allocated between turnover, finance debtor interest and reimbursement of the finance debtor so as to generate a constant rate of return in respect of the finance debtor over the life of the contract.



# **Stirling Gateway Limited**

## **Notes to the Annual Report and Financial Statements** *(continued)*

### **Year Ended 31 March 2020**

#### **3. Accounting Policies** *(continued)*

##### **(f) Income tax**

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

##### **i) Current Tax**

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### **ii) Deferred tax**

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences 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 recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is also recognised on the revaluations of derivative financial instruments, with the movements going through the Statement of Comprehensive Income.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the deferred tax asset or liability.

##### **(g) Finance debtor**

The Company has taken the transition exemption in FRS 102 Section 35.10(i) that allows the Company to continue the service concession arrangement accounting policies from previous UK GAAP.

The Company is accounting for the concession asset based on the ability to substantially transfer all the risks and rewards of ownership to the customer, with this arrangement the costs incurred by the Company on the design and construction of the assets have been treated as a finance debtor within these financial statements.

##### **(h) Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of six months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

# **Stirling Gateway Limited**

## **Notes to the Annual Report and Financial Statements** *(continued)*

### **Year Ended 31 March 2020**

#### **3. Accounting Policies** *(continued)*

##### **(i) Borrowings**

Borrowings are recognised at amortised cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the borrowings are recognised in the Statement of Comprehensive Income over the life of the borrowings. Borrowings with maturities greater than twelve months after the reporting date are classified as non-current liabilities.

##### **(j) Financial instruments**

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price and subsequently at amortised cost, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Other financial instruments are subsequently measured at fair value, with any changes recognised in the Statement of Comprehensive Income, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in the Statement of Comprehensive Income immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the Statement of Financial Position. Finance costs and gains or losses relating to financial liabilities are included in the Statement of Comprehensive Income. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

# Stirling Gateway Limited

## Notes to the Annual Report and Financial Statements *(continued)*

### Year Ended 31 March 2020

#### 3. Accounting Policies *(continued)*

##### (k) Hedge accounting

The Company has entered into an arrangement with third parties that is designed to hedge future cash flows arising on variable rate interest loan arrangements, with the net effect of exchanging the cash flows arising under those arrangements for a stream of fixed interest cash flows ("interest rate swaps"). The Company has also entered into an arrangement with third parties that is designed to hedge future cash receipts arising from its principal activity (RPI swaps). The Company has designated that this arrangement is a hedge of another (non-derivative) financial instrument, to mitigate the impact of potential volatility on the Company's net cash flows.

To qualify for hedge accounting, documentation is prepared specifying the hedging strategy, the component transactions and methodology used for effectiveness measurement. Changes in the carrying value of financial instruments that are designated and effective as hedges of future cash flows ("cash flow hedges") are recognised directly in a hedging reserve in equity and any ineffective portion is recognised immediately in the Statement of Comprehensive Income. Amounts deferred in equity in respect of cash flow hedges are subsequently recognised in the Statement of Comprehensive Income in the same period in which the hedged item affects net profit or loss or the hedging relationship is terminated and the underlying position being hedged has been extinguished.

The Company has elected to early adopt the FRS 102 Interest Rate Benchmark Reform Amendment.

#### 4. Turnover

Turnover arises from:

|                       | 2020             | 2019             |
|-----------------------|------------------|------------------|
|                       | £                | £                |
| Rendering of services | <u>5,227,798</u> | <u>4,935,467</u> |

The whole of the turnover is attributable to the principal activity of the Company wholly undertaken in the United Kingdom.

#### 5. Other Operating Income

|                 | 2020             | 2019             |
|-----------------|------------------|------------------|
|                 | £                | £                |
| Deferred income | <u>1,166,210</u> | <u>1,166,210</u> |

#### 6. Operating Profit

Operating profit or loss is stated after charging:

|  | 2020          | 2019         |
|--|---------------|--------------|
|  | £             | £            |
| Fees payable for the audit of the annual report and financial statements | <u>10,395</u> | <u>8,992</u> |

# Stirling Gateway Limited

## Notes to the Annual Report and Financial Statements *(continued)*

### Year Ended 31 March 2020

#### 6. Operating Profit *(continued)*

Included in the fee above is £2,110 (2019: £1,826) for the audit of the immediate parent entity Stirling Gateway Holdings Limited.

#### 7. Particulars of Employees and Directors

The average number of persons employed by the Company during the financial year amounted to nil (2019: nil). The directors are not employed by the Company and did not receive any remuneration from the Company during the year (2019: £nil).

#### 8. Other Interest Receivable and Similar Income

|                                       | 2020             | 2019             |
|---------------------------------------|------------------|------------------|
|                                       | £                | £                |
| Interest on cash and cash equivalents | 29,605           | 26,810           |
| Other interest receivable             | —                | 559              |
| Finance debtor interest receivable    | 4,844,937        | 4,952,925        |
|                                       | <u>4,874,542</u> | <u>4,980,294</u> |

#### 9. Interest Payable and Similar Expenses

|   | 2020             | 2019             |
|---|------------------|------------------|
|   | £                | £                |
| Interest on bank loans and overdrafts       | 3,954,755        | 4,014,022        |
| Interest due to Group undertakings          | 893,345          | 893,345          |
| Other interest payable and similar expenses | 35,250           | (69,713)         |
|   | <u>4,883,350</u> | <u>4,837,654</u> |

The senior debt profile was adjusted during the prior year to remove an additional margin that was no longer charged. As a result the amortisation profile for the loan issue costs was also adjusted and resulted in a credit charge for the prior year.

#### 10. Tax on Profit

##### Major components of tax expense

|  | 2020           | 2019           |
|--|----------------|----------------|
|  | £              | £              |
| <b>Current tax:</b>                            |                |                |
| UK current tax expense                         | 238,099        | 223,215        |
| <b>Deferred tax:</b>                           |                |                |
| Origination and reversal of timing differences | 448            | 1,087          |
| <b>Tax on profit</b>                           | <u>238,547</u> | <u>224,302</u> |

# Stirling Gateway Limited

## Notes to the Annual Report and Financial Statements *(continued)*

### Year Ended 31 March 2020

#### 10. Tax on Profit *(continued)*

##### Reconciliation of tax expense

The tax assessed on the profit for the year is lower than (2019: lower than) the standard rate of corporation tax in the UK of 19% (2019: 19%).

|                        | 2020<br>£        | 2019<br>£        |
|------------------------|------------------|------------------|
| Profit before taxation | <u>1,259,547</u> | <u>1,181,208</u> |
| Profit by rate of tax  | <u>239,314</u>   | <u>224,430</u>   |
| Tax rate changes       | <u>(767)</u>     | <u>(128)</u>     |
| Total tax charge       | <u>238,547</u>   | <u>224,302</u>   |

##### Factors that may affect future tax expense

A change to the future UK corporation tax rate was announced in the March 2020 Budget. The rate will no longer drop to 17% with effect from 1 April 2020 but will remain at the previous rate of 19%. This change had been substantively enacted at the balance sheet date and therefore is recognised in these financial statements.

#### 11. Dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

|   | 2020<br>£      | 2019<br>£      |
|---|----------------|----------------|
| Dividends £7.10 per share (2019: £7.74) | <u>355,173</u> | <u>387,212</u> |

#### 12. Debtors

Debtors amounts falling due within one year are as follows:

|                                | 2020<br>£        | 2019<br>£        |
|--------------------------------|------------------|------------------|
| Trade debtors                  | <u>1,945,930</u> | <u>1,867,024</u> |
| Prepayments and accrued income | <u>24,611</u>    | <u>24,125</u>    |
| Finance Debtor                 | <u>2,430,876</u> | <u>2,271,854</u> |
|                                | <u>4,401,417</u> | <u>4,163,003</u> |

Debtors amounts falling due after more than one year are as follows:

|                    | 2020<br>£          | 2019<br>£          |
|--------------------|--------------------|--------------------|
| Deferred tax asset | <u>7,321,721</u>   | <u>7,388,983</u>   |
| Finance Debtor     | <u>92,754,365</u>  | <u>95,185,241</u>  |
|                    | <u>100,076,086</u> | <u>102,574,224</u> |

# Stirling Gateway Limited

## Notes to the Annual Report and Financial Statements *(continued)*

### Year Ended 31 March 2020

#### 12. Debtors *(continued)*

The movement in the finance debtor is analysed as follows:

|                      | 2020              | 2019              |
|----------------------|-------------------|-------------------|
|                      | £                 | £                 |
| At beginning of year | 97,457,095        | 99,580,323        |
| Repayments           | (2,271,854)       | (2,123,228)       |
| At end of year       | <u>95,185,241</u> | <u>97,457,095</u> |

#### 13. Creditors: amounts falling due within one year

|                                    | 2020             | 2019             |
|------------------------------------|------------------|------------------|
|                                    | £                | £                |
| Bank loans and overdrafts          | 1,699,118        | 1,558,910        |
| Trade creditors                    | 444,281          | 383,399          |
| Amounts owed to Group undertakings | 446,672          | 446,672          |
| Accruals and deferred income       | 1,255,012        | 1,265,305        |
| Corporation tax                    | 127,908          | 223,215          |
| Taxation and social security       | 415,336          | 417,450          |
| Other creditors                    | 1,726,681        | 1,729,681        |
|                                    | <u>6,115,008</u> | <u>6,024,632</u> |

Amounts owed to Group undertakings relate to subordinated debt interest, refer to note 14 for further information.

#### 14. Creditors: amounts falling due after more than one year

|                                    | 2020               | 2019               |
|------------------------------------|--------------------|--------------------|
|                                    | £                  | £                  |
| Bank loans and overdrafts          | 64,907,377         | 66,608,027         |
| Amounts owed to Group undertakings | 6,617,370          | 6,617,370          |
| Accruals and deferred income       | 20,432,733         | 21,598,943         |
| Derivative financial liability     | 38,503,406         | 43,426,249         |
|                                    | <u>130,460,886</u> | <u>138,250,589</u> |

Included within creditors: amounts falling due after more than one year is an amount of £58,348,558 (2019: £60,130,609) in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

Included within creditors: amounts falling due after more than one year is an amount of £6,617,370 (2019: £6,617,370) in respect of liabilities payable or repayable otherwise than by instalments which fall due for payment after more than five years from the reporting date.

# Stirling Gateway Limited

## Notes to the Annual Report and Financial Statements *(continued)*

### Year Ended 31 March 2020

#### 14. Creditors: amounts falling due after more than one year *(continued)*

Deferred income will be released on a straight line basis over the remainder of the concession.

Included within bank loans is a loan for £66,927,039 (2019: £68,522,731) repayable in semi annual instalments commencing on 31 March 2009. The final repayment date of this bank loan being 31 December 2037. These figures are inclusive of debt arrangement costs of £320,544 (2019: £355,794) which will be released to the profit and loss account over the life of the loan.

Bank loans bear interest based on LIBOR. As part of the interest rate management strategy the Company entered into an interest rate swap in respect of part of the debt maturing in March 2038. Under this swap and the senior debt financing in place, the Company receives interest on a variable basis and currently pays interest at a fixed rate of 4.845%. The bank loans are secured by a floating charge over the assets of the Company.

The Amounts owed to Group undertakings is unsecured and bears interest at 13.5% with the principal repayable on 30 June 2039.

#### 15. Deferred Tax

The deferred tax included in the Statement of Financial Position is as follows:

|                               | 2020             | 2019             |
|-------------------------------|------------------|------------------|
|                               | £                | £                |
| Included in debtors (note 12) | <u>7,321,721</u> | <u>7,388,983</u> |

The deferred tax account consists of the tax effect of timing differences in respect of:

|                                  | 2020               | 2019               |
|----------------------------------|--------------------|--------------------|
|                                  | £                  | £                  |
| Derivative financial instruments | (7,315,647)        | (7,382,462)        |
| Short term timing differences    | <u>(6,074)</u>     | <u>(6,521)</u>     |
|                                  | <u>(7,321,721)</u> | <u>(7,388,983)</u> |

The net deferred tax asset expected to reverse in the next twelve months is £1,215. This primarily relates to the reversal of short term timing differences.

|   | 2020                      |
|---|---------------------------|
|   | £                         |
| Opening balance                             | (7,388,983)               |
| Movement through the profit or loss         | 448                       |
| Movement through other comprehensive income | 66,814                    |
| <b>Closing balance</b>                      | <u><b>(7,321,721)</b></u> |

#### 16. Financial Instruments

The carrying amount for each category of financial instrument is as follows:

|  | 2020              | 2019              |
|--|-------------------|-------------------|
|  | £                 | £                 |
| <b>Financial assets that are debt instruments measured at amortised cost</b> |                   |                   |
| Financial assets that are debt instruments measured at amortised cost        | <u>97,131,171</u> | <u>99,324,119</u> |

# Stirling Gateway Limited

## Notes to the Annual Report and Financial Statements *(continued)*

### Year Ended 31 March 2020

#### 16. Financial Instruments *(continued)*

|  | 2020<br>£                | 2019<br>£                |
|--|--------------------------|--------------------------|
| <b>Financial liabilities measured at fair value through profit or loss</b> |                          |                          |
| Financial liabilities measured at fair value through profit or loss        | <b><u>38,503,406</u></b> | <b><u>43,426,249</u></b> |
| <b>Financial liabilities measured at amortised cost</b>                    |                          |                          |
| Financial liabilities measured at amortised cost                           | <b><u>75,843,171</u></b> | <b><u>75,266,800</u></b> |

The fair values of the interest rate and RPI swap have been calculated by discounting the fixed cash flows at forecasted forward interest and RPI rates over the term of the financial instrument. The bank borrowing and finance debtor are both held at amortised cost.

#### Hedge accounting

Derivatives are financial instruments that derive their value from the price of an underlying item, such as interest rates or other indices. The Company's use of derivative financial instruments is described below.

#### Interest rate swaps

The Company has entered into interest rate swaps with third parties for the same notional amount as all of the Company's variable rate borrowings with banks which has the commercial effect of swapping the variable rate interest coupon on those loans for a fixed rate coupon. The bank loans and related interest rate swaps amortise at the same rate over the life of the loan/swap arrangements. The interest rate swaps were entered into on 31 March 2008 and expire on 31 March 2038.

The Directors believe that the hedging relationship between the interest rate swaps and related variable rate bank loans is highly effective and as a consequence have concluded that these derivatives meet the definition of a cash flow hedge and have formally designated them as such.

#### RPI swaps

The Company has entered into arrangements with third parties for the purpose of exchanging the vast majority of variable cash inflows arising from the operation of the Company's service concession asset in exchange for a pre-determined stream of cash inflows from these third parties. These arrangements meet the definition to be classified as derivative financial instruments. The Company entered into these derivative arrangements on 1 September 2008 and expire on 1 September 2038.

Under the terms of the project agreements, the Company is permitted to charge its principal customer, Stirling Council an agreed amount for the services it provides. This amount is uplifted each year commencing 1 April using the current RPIX for January against the base date RPIX. These derivative arrangements (RPI swaps) have the effect of exchanging variable cash inflows (impacted by changes in RPI) in exchange for a known and predetermined stream of cash flows expected to arise over the same period.



# Stirling Gateway Limited

## Notes to the Annual Report and Financial Statements *(continued)*

### Year Ended 31 March 2020

#### 16. Financial Instruments *(continued)*

The Directors believe that the use of these RPI swaps is consistent with the Company's risk management objective and strategy for undertaking these hedges. The vast majority of the Company's cash outflows relate to borrowings (after interest rate swaps - see above) that carry a fixed coupon so that both the principal repayments, and coupon payments (after interest rate swaps - see above) are predetermined. The purpose of these hedges is to generate highly certain cash inflows so that the Company can meet its obligations under the terms of its borrowing arrangements.

The Directors believe that the hedging relationship is highly effective and that the forecast cash inflows are highly probable and as a consequence have concluded that the RPI swap derivatives meet the definition of a cash flow hedge and have formally designated them as such.

Carrying value of all derivative financial instruments

All of the Company's derivative financial instruments are carried at fair value. The net carrying value of all derivative financial instruments at 31 March 2020 amounted to net liabilities of £38,503,406 (2019: £43,901,249) comprising liabilities of £5,599,080 for RPI swaps (2019: £14,700,791) and liabilities of £32,904,326 for interest rate swaps (2019: £28,725,458). All of the movements during the year in the fair value of these derivative financial instruments have been recorded in the cash flow hedge reserve amounting to a credit of £4,856,027 (2019: debit of £1,457,216).

#### 17. Called Up Share Capital

Issued, called up and fully paid

|                            | 2020          |               | 2019          |               |
|----------------------------|---------------|---------------|---------------|---------------|
|                            | No.           | £             | No.           | £             |
| Ordinary shares of £1 each | <u>50,000</u> | <u>50,000</u> | <u>50,000</u> | <u>50,000</u> |

There is a single class of ordinary share. There are no restrictions on the distribution of dividends and the repayment of capital.

#### 18. Reserves

The hedging reserve records fair value movements on cash flow and net investment hedging instruments.

Retained earnings records retained earnings and accumulated losses.

#### 19. Events after the End of the Reporting Period

The shareholding of 12.5%, in Stirling Gateway HC Ltd, held by Ogilvie Securities Ltd at the year end was subsequently acquired by Equitix MA 1 Infrastructure Ltd in May 2020.

# **Stirling Gateway Limited**

## **Notes to the Annual Report and Financial Statements** *(continued)*

### **Year Ended 31 March 2020**

#### **20. Related Party Transactions**

The Company is wholly owned by Stirling Gateway HC Limited and has taken advantage of the exemption in section 33 of FRS 102 'Related Party Disclosures', that allows it not to disclose transactions with wholly owned members of a group.

Ogilvie Securities Limited held a 12.5% shareholding in Stirling Gateway HC Limited.

Equitix Fund IV LP holds a 12.5% shareholding in Stirling Gateway HC Limited.

Forth Limited holds a 12.5% shareholding in Stirling Gateway HC Limited. FES FM Limited a related group entity of Forth Limited is contracted to provide facilities management services and received £6,208,328 (2019: £5,576,779) for work done in the year. As at 31 March 2020 Stirling Gateway Limited had an outstanding balance owing to FES FM Limited of £415,176 (2019: £345,583) which was settled in April 2020.

Gateway PFI Limited holds a 12.5% shareholding in Stirling Gateway HC Limited. During the year £185,471 (2019: £184,628) was paid to Gateway PFI Limited for the provision of financial administration and general management services to the Company. As at 31 March 2020 Stirling Gateway Limited had an outstanding balance owing to Gateway PFI Limited of £3,600 (2019: £10,800), which was settled in April 2020. D Spiller and R Jack, Directors of the Company are also Directors of Gateway PFI Limited.

#### **21. Controlling Party**

The immediate parent undertaking is Stirling Gateway HC Limited.

The share capital of Stirling Gateway HC Limited is held in proportions of PFI Infrastructure Finance Limited 50%, Equitix MA 1 Infrastructure Limited 12.5%, Forth Limited 12.5%, Gateway PFI Limited 12.5%, Equitix Fund IV LP 12.5%. Accordingly, there is no ultimate controlling party.