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# WCHS DBFM Holdco Limited

Annual report and group financial statements
For the year ended 30 September 2018



**Company No. SC535579**

# Officers and professional advisers

| | |
|---|---|
| **Company registration number** | SC535579 |
| **Registered office** | Atholl House<br>51 Melville Street<br>Edinburgh<br>EH3 7HL |
| **Directors** | K Bradley<br>A McCrorie<br>P McGirk<br>C Campbell<br>G Sheret<br>R Christie<br>P McVey<br>R Park<br>L Simmons<br>N Gemmell |
| **Company Secretary** | Galliford Try Secretariat Services Limited |
| **Banker** | Barclays Bank plc<br>PALL MALL 2<br>Leicestershire<br>LE87 2BB |
| **Auditor** | Scott-Moncrieff<br>Chartered Accountants<br>Exchange Place 3<br>Semple Street<br>Edinburgh<br>EH3 8BL |

# Contents page

# Group Strategic Report

The directors submit their Strategic Report, Report of the directors and the group financial statements for the year ended 30 September 2018.

**Principal activities and business review**

The Company has been established as a non-trading holding company for the investment in WCHS DBFMCo Limited. WCHS DBFMCo Limited (DBFMCo) has entered a Design, Build, Finance and Maintain ("DBFM") concession contract with West Lothian Council (the Authority). The DBFM contract involves the design, build and financing of the new West Calder High School together with the provision of certain facilities management services within the building. The Project Agreement between WCHS DBFMCo Limited and West Lothian Council was signed on 14 December 2016.

As part of this contract, DBFMCo has entered into a fixed-price sub-contract with Galliford Try Building Limited t/a Morrison Construction to design and build the facility. The construction of the school was completed in June 2018.

DBFMCo has also entered a sub-contract with Galliford Try Building Limited t/a Galliford Try Facilities Management for the provision of facilities management services within the building.

The DBFM project is being financed by a combination of senior and subordinated debt. Senior debt facilities of £29m, provided by Nord/LB and £3m of subordinated debt provided by equity shareholders funded the construction of the school.

The school was handed over to West Lothian Council in June 2018 and the operating term of the DBFM contract is 25 years from the completion of the school. Monthly service payments from West Lothian Council commenced from the date of Practical Completion when the building became available. The construction and other related costs are being treated as an asset which will be repaid over the life of the contract.

**Results and dividends**

**Group**

The results for the Group for the year are set out on page 10. The profit for the Group for the year amounted to £280,780 (2017: £306,570). The directors do not recommend payment of a dividend in respect of the year.

Other comprehensive income for the year was £425,779 (2017: (£605,917)) after accounting for the movements in the cashflow hedge. The fair value of the cash flow hedge at 30 September 2018 was a liability of £217,035 (2017: £748,046).

**Company**

The results for the Company for the year are set out on page 11. The profit for the Company for the year amounted to £nil (2017: £nil). The directors do not recommend payment of a dividend in respect of the year.

Other comprehensive income for the year was £nil (2017: £nil).

# Group Strategic Report

**Principal risks and uncertainties**

West Lothian Council (the "Authority") is the sole client of the Group, but the directors consider that no risk arises from such a small client base since the Scottish Government has implicitly underwritten the Authority's obligations.

Most of the performance risk under the DBFM Agreement and related contracts is passed on to the subcontractors Morrison Construction and Galliford Try Facilities Management. The obligations of the building subcontractor and service provider are underwritten by respective parent Company guarantees. The Group is exposed to the risk of non-performance by its subcontractors; however, penalties imposed by the Authority will be passed onto the subcontractor at fault under the terms of the subcontracts.

The life-cycle risk on the project is passed down to the service provider, Galliford Try Facilities Management.

Long-term project financing is in place for the duration of the concession. The funding fully amortises over the concession year leaving no refinancing risk.

**Financial risk management**

In order to ensure stability of cash flows and hence manage interest rate risk, the Group has a policy of maintaining all its bank debt at a variable rate and also entering into interest rate swaps, the purpose of which is to manage the interest rate risk arising from these borrowings.

The Group receives the bulk of its revenue from the Authority and is not exposed to significant credit risk. Cash investments are with institutions of a suitable credit quality.

**Key Performance Indicators**

The key performance of the Group is monitored from a cash perspective. The cash position at the year end is considered adequate. This is assessed on a six-monthly basis by the testing of the covenants of the senior debt provider. The key indicators are the debt service cover ratio and loan life cover ratio.

The Group has interest rate swaps in place which have resulted in a liability being included in the Balance Sheet. The swaps have been effected to minimise interest rate risk to the Group over the life of the senior debt loans. The swap profiles follow the loan drawdowns and are therefore fully effective. As such the Group has adopted hedge accounting and the movements are presented in the Statement of Total Comprehensive Income rather than the Income Statement. The profiles are monitored regularly to ensure they do not deviate from this profile and that hedge accounting continues to be permissible.

**Future developments**

The directors do not anticipate any changes in the group's activities.

This report has been approved by the board on 13 March 2019 and signed on its behalf by:

**P McGirk**
**Director**

# Report of the directors

The directors submit their report and the group financial statements for the year ended 30 September 2018.

**Directors and their interests**

The directors of the Company who held office during the year and to date are as follows:

| | |
|---|---|
| K Bradley | |
| A McCrorie | |
| P McGirk | |
| G Sheret | |
| B Love | (resigned 24 October 2017) |
| R Christie | |
| P McVey | |
| R Park | |
| C Campbell | |
| L Simmons | (appointed 24 October 2017) |
| N Gemmell | (appointed 22 November 2017) |

In accordance with the Company's Articles of Association, none of its directors are required to retire.

**Statement of directors' responsibilities**

The directors are responsible for preparing the Strategic Report, the Report of the directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 confirm that they have complied with the above requirements in preparing the financial statements.

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.

# Report of the directors (continued)

**Disclosure of information to the auditor**

To the knowledge and belief of each of the persons who are directors at the time the report is approved:

- So far as each director is aware, there is no relevant information of which the auditor is unaware; and
- He has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information, and to establish that the auditor is aware of the information.

**Post balance sheet events**

There have been no significant events affecting the Company or Group since the year end.

**Auditor**

Scott-Moncrieff is deemed to be reappointed under Section 487(2) of the Companies Act 2006.

This report has been approved by the board on 13 March 2019 and signed on its behalf by:

**P McGirk**
**Director**

# Independent Auditor's Report to the Members of WCHS DBFM Holdco Limited

## Opinion

We have audited the financial statements of WCHS DBFM Holdco Limited (the 'Parent Company') and its subsidiary (the 'Group') for the year ended 30 September 2018, which comprise the Group and Company Income Statements, the Group and Company Statements of Total Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statements of Changes in Equity, the Group Statement of Cash Flows, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2018 and of the Group's and the Parent Company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## 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 Group or the Parent Company's ability to continue to adopt the going concern basis of accounting for a year of at least twelve months from the date when the financial statements are authorised for issue.

# Independent Auditor's Report to the Members of WCHS DBFM Holdco Limited

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

**Opinion on other matters prescribed by the Companies Act 2006**

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

- the information given in the Group Strategic Report and the Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Group Strategic Report and the Report of the directors have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the directors.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

- the Parent Company's financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

# Independent Auditor's Report to the Members of WCHS DBFM Holdco Limited

**Responsibilities of the directors**

As explained more fully in the Statement of directors' responsibilities on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. The description forms part of our Auditor's Report.

**Use of our report**

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members, as a body, those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Scott - Moncrieff

**James McBride (Senior Statutory Auditor)**
**For and on behalf of**
**Scott-Moncrieff, Statutory Auditor**
Chartered Accountants
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date: 13 March 2019

# Group Income Statement for the year ended 30 September 2018

| | Note | **Year ended 30 September 2018** | Period ended 30 September 2017 |
|---|---|---|---|
| | | **£** | £ |
| Turnover | 3a | **12,520,930** | 18,219,175 |
| Cost of sales | | **(12,240,499)** | (17,854,972) |
| **Gross profit** | | **280,431** | 364,203 |
| Administration expenses | | **(34,853)** | (6,670) |
| **Operating profit** | 3b | **245,578** | 357,533 |
| Interest payable | 4 | **(1,155,255)** | (340,255) |
| Interest receivable | 4 | **1,258,053** | 361,204 |
| **Profit on ordinary activities before taxation** | | **348,376** | 378,482 |
| Taxation | 5 | **(67,596)** | (71,912) |
| **Retained profit for the year** | | **280,780** | 306,570 |

# Company Income Statement for the year ended 30 September 2018

| | Note | Year ended 30 September 2018 | Period ended 30 September 2017 |
|---|---|---|---|
| | | £ | £ |
| Administration expenses | | - | - |
| **Operating profit** | 3b | - | - |
| Interest payable | 4 | (112,705) | (31,807) |
| Interest receivable | 4 | 112,705 | 31,807 |
| **Profit on ordinary activities before taxation** | | - | - |
| Taxation | 5 | - | - |
| **Retained profit for the year** | | - | - |

# Group Statement of Total Comprehensive Income for the year ended 30 September 2018

| | Note | Year ended 30 September 2018 £ | Period ended 30 September 2017 £ |
|---|---|---|---|
| **Retained profit for the year** | | **280,780** | 306,570 |
| Cash flow hedge – fair value movement | 19 | **239,125** | (748,046) |
| Cash flow hedge - recycled to profit | 19 | **291,887** | - |
| Cash flow hedge – deferred tax credit | 5 | **(105,233)** | 142,129 |
| **Other comprehensive income for the year** | | **425,779** | (605,917) |
| **Total comprehensive income for the year** | | **706,559** | (299,347) |

# Company Statement of Total Comprehensive Income for the year ended 30 September 2018

| | Year ended 30 September 2018 £ | Period ended 30 September 2017 £ |
|---|---|---|
| **Other comprehensive income for the year** | - | - |
| Retained profit for the year | - | - |
| **Total comprehensive income for the year** | - | - |

# Group Balance Sheet as at 30 September 2018

| | Note | 2018 £ | 2017 £ |
|---|---|---|---|
| **Non-current assets** | | | |
| Financial asset due in more than one year | 7 | **29,170,600** | 18,023,956 |
| Deferred tax asset due in more than one year | 20 | **(1,134)** | 86,670 |
| | | | |
| **Current assets** | | | |
| Financial asset due in less than one year | 7 | **2,311,094** | 556,423 |
| Deferred tax asset due in less than one year | 20 | **38,030** | 55,459 |
| Debtors due in less than one year | 9 | **-** | 448,174 |
| Cash at bank in hand | 10 | **839,599** | 4,591,200 |
| | | **3,188,723** | 5,651,256 |
| **Current liabilities** | | | |
| Creditors – amounts falling due within one year | 11 | **(1,296,854)** | (4,913,868) |
| | | | |
| **Net current assets** | | **1,891,869** | 737,388 |
| | | | |
| **Total assets less current liabilities** | | **31,061,335** | 18,848,014 |
| | | | |
| Creditors – amounts falling due after more than one year | 12 | **(30,654,023)** | (19,147,261) |
| | | | |
| **Net assets/(liabilities)** | | **407,312** | (299,247) |
| | | | |
| **Capital and reserves** | | | |
| Called-up share capital | 14 | **100** | 100 |
| Cash flow hedge reserve | 15 | **(180,138)** | (605,917) |
| Profit and loss account | 15 | **587,350** | 306,570 |
| **Equity shareholders' funds** | | **407,312** | (299,247) |

The financial statements were authorised for issue by the board of directors on 13 March 2019 and signed on its behalf by:

Paul McGirk ..........................................................

**P McGirk**
**Director**

**Registered Number: SC535579**

# Company Balance Sheet as at 30 September 2018

| | Note | 2018 £ | 2017 £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | 6 | **100** | 100 |
| **Current assets** | | | |
| Debtors – amounts falling due after more than one year | 8 | **2,984,269** | 1,177,075 |
| Debtors – amounts falling due within less than one year | 9 | **119,502** | 7,081 |
| | | **3,103,771** | 1,184,156 |
| **Current liabilities** | | | |
| Creditors – amounts falling due within one year | 11 | **(119,502)** | (2,846) |
| **Net current assets** | | **2,984,269** | 1,181,310 |
| **Total assets less current liabilities** | | **2,984,369** | 1,181,410 |
| Creditors – amounts falling due after more than one year | 12 | **(2,984,269)** | (1,181,310) |
| **Net assets** | | **100** | 100 |
| **Capital and reserves** | | | |
| Called-up share capital | 14 | **100** | 100 |
| Profit and loss reserve | 15 | **-** | - |
| **Equity shareholders' funds** | | **100** | 100 |

The financial statements were authorised for issue by the board of directors on 13 March 2019 and signed on its behalf by:

Paul McGirk

**P McGirk**
**Director**

**Registered Number: SC535579**

# Group Statement of Changes in Equity for the year ended 30 September 2018

| | Called up share capital | Profit and loss account | Cash flow hedge reserves | Total Equity |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| **At 1 October 2017** | **100** | **306,570** | **(605,917)** | **(299,247)** |
| **Profit for the year** | **-** | **280,780** | **-** | **280,780** |
| **Other comprehensive income** | **-** | **-** | **425,779** | **425,779** |
| **As at 30 September 2018** | **100** | **587,350** | **(180,138)** | **407,312** |

# Group Statement of Changes in Equity for the period ended 30 September 2017

| | Called up share capital | Profit and loss account | Cash flow hedge reserves | Total Equity |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Balance at 17 May 2016 | - | - | - | - |
| Profit for the year | - | 306,570 | - | 306,570 |
| Issue of shares | 100 | - | - | 100 |
| Other comprehensive income | - | - | (605,917) | (605,917) |
| Balance at 30 September 2017 | 100 | 306,570 | (605,917) | (299,247) |

# Company Statement of Changes in Equity for the year ended 30 September 2018

| | Called up share capital £ | Profit and loss account £ | Total Equity £ |
|---|---|---|---|
| **Balance at 1 October 2017** | 100 | - | 100 |
| **Profit for the year** | - | - | - |
| **Other comprehensive income** | - | - | - |
| **Balance at 30 September 2018** | 100 | - | 100 |

# Company Statement of Changes in Equity for the year ended 30 September 2017

| | Called up share capital £ | Profit and loss account £ | Total Equity £ |
|---|---|---|---|
| Balance at 17 May 2016 | - | - | - |
| Profit for the year | - | - | - |
| Issue of shares | 100 | - | 100 |
| Other comprehensive income | - | - | - |
| Balance at 30 September 2017 | 100 | - | 100 |

# Group Statement of Cash Flows
# for the year ended 30 September 2018

| | 2018 | 2017 |
|---|---|---|
| | **£** | £ |
| **Cash flows from operating activities** | | |
| Profit for the financial year | **280,780** | 306,570 |
| **Adjustments for:** | | |
| Non-cash revenue | **(12,325,240)** | (18,219,175) |
| Unitary Charge received | **681,970** | - |
| Interest paid | **1,155,255** | 340,255 |
| Interest received | **(1,258,053)** | (361,204) |
| Taxation | **67,596** | 71,912 |
| Decrease /(increase) in trade and other debtors | **448,174** | (448,174) |
| (Decrease)/increase in trade and other creditors | **(2,508,647)** | 2,725,619 |
| Income tax paid | **(90,333)** | - |
| **Net cash outflow from operating activities** | **(13,548,498)** | (15,584,197) |
| | | |
| **Cash flows from investing activities** | | |
| Interest received | **8** | - |
| | | |
| **Cash flows from financing activities** | | |
| Issue of Ordinary Share Capital | **-** | 100 |
| Bank loans drawn | **10,952,932** | 19,886,709 |
| Shareholder loans drawn | **1,806,910** | 1,152,349 |
| Repayment of bank loans | **(1,901,039)** | - |
| Interest paid | **(1,031,081)** | (276,882) |
| Loan arrangement and commitment fees paid | **(30,833)** | (586,879) |
| **Net cash used in financing activities** | **9,796,889** | 20,175,397 |
| | | |
| **Net increase in cash and cash equivalents** | **(3,751,601)** | 4,591,200 |
| | | |
| **Cash and cash equivalents at the beginning of the year** | **4,591,200** | - |
| | | |
| **Cash and cash equivalents at the end of the year** | **839,599** | 4,591,200 |

# Notes to the Financial Statements

## 1 Principal accounting policies

### (a) General information

The financial statements are presented in Pounds Sterling (GBP) and are rounded to the nearest whole pound. The financial statements cover the results for the year ended 30 September 2018 for the Group and the Parent Company. The continuing activities of the Group are to Design, Build and Finance the new West Calder High School together with the provision of certain facilities management services.

The Parent Company is a private company limited by shares and was incorporated in Scotland. The registered office is:

Atholl House
51 Melville Street
Edinburgh
EH3 7HL

The Parent Company's registered number is SC535579

### (b) Basis of preparation

These financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland'. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The preparation of the financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).

A summary of the more important accounting policies is set out below.

# Notes to the Financial Statements

## 1 Principal accounting policies (continued)

### (c) Going concern

During the year, the Group made a profit of £280,780 (2017: £306,570) but at the Balance Sheet date, its assets exceeded its liabilities by £407,312 (2017: (£299,247)). The financial statements have been prepared on the going concern basis which assumes that the Group and Company will continue in operational existence for the foreseeable future, being at least 12 months from the date of approval of these financial statements, for the following reasons:

- The school has been completed and is now operational (from June 2018) with monthly service payments in line with the DBFM agreement now being received. These will continue over the life of the 25 year service concession until the expiry date of 29 June 2043.
- Further loan facilities totalling £1m may be drawn in specific circumstances.
- The directors have prepared and approved cash flow forecasts for the full contract term and based on this information the directors believe the Group and Company will be able to meet all liabilities as they fall due.

The directors have thus formed the view that, at the time of approving the financial statements, the Group and Company will have adequate resources to continue in existence for the foreseeable future. Therefore, the directors consider the adoption of the going concern basis in preparing the financial statements to be appropriate.

If the Group and Company were unable to continue in operation for the foreseeable future, adjustments would have to be made to reduce the Balance Sheet values of assets to their recoverable amounts and to provide for further liabilities that might arise.

### (d) Consolidation

The Group financial statements present the results of WCHS DBFM Holdco Limited and its subsidiaries ("the Group") as if they formed a single entity. Intergroup transactions and balances between Group companies are therefore eliminated in full.

The Group financial statements incorporate the results of the Group using the equity method.

The financial statements consolidate the results of WCHS DBFM Holdco Limited and WCHS DBFMCo Limited.

### (e) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

**Rendering of services**

Revenue from a contract to provide services is recognised in the year in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the Group will receive the consideration due under the contract;

# Notes to the Financial Statements

## 1 Principal accounting policies (continued)

### (e) Revenue (continued)

- The stage of completion of the contract at the end of the reporting year can be measured reliably; and
- The costs incurred and the costs to complete the contract can be measured reliably.

### (f) Interest

Interest and other costs of funding are charged to the Income Statement.

Interest receivable on the financial asset is credited to the Income Statement during the construction and operational phase of the project.

### (g) Current and deferred taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation. Deferred taxation has been recognised as a liability or asset if transactions have incurred at the Balance Sheet date that give rise to an obligation to pay more tax in the future, or a right to pay less tax in the future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. A deferred tax asset has been recognised in respect of the fair value of the cash flow hedge which has been recognised through the Statement of Total Comprehensive Income. Deferred tax assets and liabilities recognised have not been discounted.

### (h) Financial asset

Construction and related costs of building the school excluding interest costs and other costs of funding, are being treated as a financial asset (contract debtor) under the terms of FRS 102. The financial asset will be repaid over the life of the contract as service income is received from West Lothian Council.

Upon becoming operational, the income derived from the DBFM contract is allocated between the provision of the asset and the provision of the subsequent services. Upon acceptance of the constructed asset by West Lothian Council, the financial asset is amortised over the life of the contract against the relevant portion of the contracted income. The proportion of the financial asset to be amortised against contracted income receivable within one year is classified as a current asset and the remainder non-current.

### (i) Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

### (j) Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

### (k) Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans and amounts due to the related parties are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

# Notes to the Financial Statements

## 1 Principal accounting policies (continued)

### (l) Financial liabilities

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. Finance costs and gains or losses relating to financial liabilities are charged to the Income Statement. The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability.

### (m) Financial Instruments

The Group, except for the derivative financial instruments noted below, only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not the market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

### (n) Derivative financial instrument and hedging activities

The Group uses derivative financial instruments to manage exposures to interest rate risks. Interest rate swaps have been taken alongside the senior debt loans to provide a fixed interest rate over the life of the debt. These are measured at fair value on a mid-market basis and recognised in the Balance Sheet as a liability. The mark-to-market-value is the result of the valuation of the current interest coupons on market rates as well as the interest accrued as of the evaluation date. All values are discounted from the payment date to the evaluation date.

#### Hedging

Where transactions meet the specified criteria, hedge accounting is used for the related financial instrument. At the time an instrument is designated as a hedge, the Group formally documents the relationship between the hedging instrument and the hedged item. Documentation ensures that the risk being hedged, the hedged item and the hedging instrument are clearly identified and the risk in the hedged item is the risk being hedged with the hedging instrument. Accordingly, the Group formally assessed, both at inception of the hedge and on an ongoing basis whether the hedging derivatives have been 'highly effective' in offsetting changes in the fair values or cash flows of the hedged item.

# Notes to the Financial Statements

## 1 Principal accounting policies (continued)

### (n) Derivative financial instrument and hedging activities (continued)

For a hedge of variable interest rate risk of a recognised financial instrument the portion of the change in fair value of the hedging instrument that was effective is recognised in other comprehensive income within the Statement of Total Comprehensive Income. Any excess cumulative change in fair value is recognised in the Income Statement. The hedging gain or loss recognised in other comprehensive income is reclassified to the Income Statement when the hedged item is recognised in the Income Statement or when the hedging relationship ends. The treatment is discontinued if the hedging instrument expires or is sold or terminated, the entity revokes the designation or the hedge no longer meets the criteria for hedge accounting.

## 2 Judgements in applying accounting policies and key sources of estimation uncertainty

The directors are satisfied that accounting policies are appropriate and consistently applied. There are no accounting estimates.

## 3a Turnover

All turnover arose within the United Kingdom and is attributable to the principal activity as disclosed within the Strategic report. Turnover is analysed as follows:

| | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| **Turnover:** | | |
| Construction revenue | **12,230,939** | 18,212,071 |
| Service Revenue | **94,301** | 7,104 |
| Pass through income/other | **195,690** | - |
| | **12,520,930** | 18,219,175 |

## 3b Operating profit

None of the directors received any remuneration as directors from the Group and Company during the year (2017: none). The Group and Company has no directly employed personnel (2017: none).

**Group**
The Group profit on ordinary activities is stated after charging auditor's remuneration of £5,100 (2017: £5,000) in respect of the audit of the Company and its subsidiary. The auditor also received remuneration in respect of tax services and iXBRL tagging of £1,800 (2017: £1,670).

**Parent Company**
All administrative expenses are paid by the Company's subsidiary, WCHS DBFMCo Limited. The audit fee of £1,275 (2017: £1,010) and non-audit fee in respect of tax and ixbrl tagging services of £510 (2017: £500) is borne by the subsidiary undertaking.

# Notes to the Financial Statements

## 4 Interest payable and receivable

| Group | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| **Interest payable** | | |
| Bank loan interest payable | (722,553) | (278,414) |
| Interest on loans from parent undertaking | (112,705) | (31,807) |
| Finance costs - recycled cashflow hedge | (291,887) | - |
| Letter of credit fees | (28,110) | (30,034) |
| | (1,155,255) | (340,255) |
| **Interest receivable** | | |
| Interest receivable on financial asset | 1,258,045 | 361,204 |
| Bank interest receivable | 8 | - |
| | 1,258,053 | 361,204 |

| Company | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| **Interest receivable** | | |
| Interest receivable from subsidiary undertaking | 112,705 | 31,807 |
| **Interest payable** | | |
| Interest payable in respect of subordinated debt | (112,705) | (31,807) |

# Notes to the Financial Statements

## 5 Taxation

The current tax charge is the same as the amount calculated by applying the standard rate of UK corporation tax.

| **Group** | **2018** | 2017 |
|---|---|---|
| | **£** | £ |
| Profit on ordinary activities before tax | **348,376** | 378,482 |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 19% (2017: 19%) | **66,192** | 71,912 |
| Adjustment to prior year tax | **1,404** | - |
| Taxation charge to profit | **67,596** | 71,912 |

| | **2018** | 2017 |
|---|---|---|
| | **£** | £ |
| **Reconciliation of corporation tax liability** | | |
| Opening balance | **71,912** | - |
| Payment on account in the year | **(90,333)** | - |
| Tax charge for the year | **67,596** | 71,912 |
| Closing balance | **49,175** | 71,912 |

**Deferred tax asset**

| | | |
|---|---|---|
| Fair value of cash flow hedge at the year end | **(217,035)** | (748,046) |
| Deferred tax asset at year end at 17% (2017:19%) | **36,896** | 142,129 |
| Deferred tax movement in the year | **(105,233)** | 142,129 |

This deferred tax movement in the year has been recognised through the Statement of Total Comprehensive Income.

**Factors that may affect future tax charges**
The gradual reduction in the corporation tax rate to 17% was announced in The Budget on 16 March 2016, and was subsequently enacted on 15 September 2016. This will reduce the Group's future tax charge accordingly.

## Company

The results for the year do not give rise to a tax charge.

# Notes to the Financial Statements

6 **Investments**

**Group**

The group holds no investments.

| **Company** | **Shareholding in group undertakings** |
|---|---|
| | **£** |
| **At 1 October 2017** | 100 |
| Additions | - |
| **At 30 September 2018** | 100 |

The Company has invested £100 in the share capital of WCHS DBFMCo Limited, a company incorporated in Scotland which has entered a DBFM contract with West Lothian Council. The investment comprises 100 ordinary shares of £1 each. The shares held in WCHS DBFMCo Limited have been pledged to Nord LB, as security trustee under the senior financing documents of the DBFM contract.

Details of this investment are in the table below:

| **Name** | **Shareholding** | **Year end** | **Equity shareholders' funds** | **Profit for the year to 30 September 2018** | **Other comprehensive income** |
|---|---|---|---|---|---|
| | | | **£** | **£** | **£** |
| WCHS DBFMCo Limited | 100% | 30 September 2018 | 407,312 | 280,780 | 425,779 |

The registered office is Atholl House, 51 Melville Street, Edinburgh EH3 7HL.

# Notes to the Financial Statements

## 7 Financial asset

| Group | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| **Cost** | | |
| At 1 October 2017 | **18,573,275** | - |
| Additions during the year: | | |
| Net interest receivable | **1,258,045** | 361,204 |
| Construction and related costs | **12,230,939** | 18,212,071 |
| **At 30 September 2018** | **32,062,259** | 18,573,275 |
| | | |
| **Repayment** | | |
| At 1 October 2017 | **7,104** | - |
| Unitary charge income | **(681,970)** | - |
| Operational revenue recognised | **94,301** | 7,104 |
| **At 30 September 2018** | **(580,565)** | 7,104 |
| | | |
| **Closing balance at 30 September 2018** | **31,481,694** | 18,580,379 |
| | | |
| Financial asset – due for amortisation within one year | **2,311,094** | 556,423 |
| Financial asset – due for amortisation after one year | **29,170,600** | 18,023,956 |
| | **31,481,694** | 18,580,379 |

Variable economic and market conditions are mitigated by the hedging of income and costs through the payment mechanism agreement. Any performance deductions which may be incurred against future unitary payments are passed on to the service provider leaving no net effect in the group.

## 8 Debtors – amounts falling due in more than one year

| Company | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| **Amounts falling due in more than one year** | | |
| Subordinated loan notes from subsidiary undertaking | **2,984,269** | 1,177,075 |

The Company invested £2,959,259 (2017: £1,152,349) in the form of fixed rate loan notes into its wholly owned subsidiary WCHS DBFMCo Limited. The loans are stated at amortised cost, using the effective interest rate method. Interest is receivable at a rate of 3.47% during construction and is converted to subordinated loan notes with interest at a rate of 10.45% on practical completion in June 2018. The loan notes are unsecured and are repayable in instalments commenced on 30 September 2018 and ending on 31 March 2043. Loan interest of £30,522 (2017: £31,807) receivable for the year has been rolled up in the balance due to give cumulative rolled up interest to date of £62,329 (2017: £31,807). Interest of £82,183 (2017: £nil) was accrued and receivable in relation to the period from 29 June to 30 September 2018.

# Notes to the Financial Statements

## 9 Debtors – amounts falling due within one year

| **Group** | **2018** | 2017 |
|---|---|---|
| | **£** | £ |
| **Amounts falling due within one year** | | |
| VAT recoverable | - | 448,174 |

| **Company** | **2018** | 2017 |
|---|---|---|
| | **£** | £ |
| **Amounts falling due within one year** | | |
| Subordinated loan notes due from subsidiary undertaking | **37,319** | 7,081 |
| Prepayments and accrued income | **82,183** | - |
| | **119,502** | 7,081 |

## 10 Cash at bank and in hand

| **Group** | **2018** | 2017 |
|---|---|---|
| | **£** | £ |
| Cash and cash equivalents | **839,599** | 4,591,200 |

## 11 Creditors - amounts falling due within one year

| **Group** | **2018** | 2017 |
|---|---|---|
| | **£** | £ |
| **Amounts falling due within one year** | | |
| Bank loan | **769,683** | 1,817,369 |
| Subordinated loan notes to related parties | **37,319** | 7,081 |
| Trade creditors | **1,320** | 11,299 |
| Amounts owed to related parties | - | 2,684,226 |
| Accruals | **127,012** | 30,094 |
| VAT liability | **88,640** | - |
| Corporation tax creditor | **49,175** | 71,912 |
| Current derivative financial liabilities (note 19) | **223,705** | 291,887 |
| | **1,296,854** | 4,913,868 |

| **Company** | **2018** | 2017 |
|---|---|---|
| | **£** | £ |
| Subordinated loan notes to related parties | **37,319** | 2,846 |
| Accruals | **82,183** | - |
| | **119,502** | 2,846 |

# Notes to the Financial Statements

## 12 Creditors – amounts falling due after more than one year

| **Group** | **2018** | 2017 |
|---|---|---|
| | **£** | £ |
| **Amounts falling after more than one year** | | |
| Bank loan | 27,676,424 | 17,514,027 |
| Subordinated loan notes to related parties | 2,984,269 | 1,177,075 |
| Non-current derivative financial liabilities (note 19) | (6,670) | 456,159 |
| | 30,654,023 | 19,147,261 |

| **Company** | **2018** | 2017 |
|---|---|---|
| | **£** | £ |
| **Amounts falling after more than one year** | | |
| Subordinated loan notes to related parties | 2,984,269 | 1,181,310 |

**Group**

The term loan facility is provided by Nord/LB. The full facility is £29,032,731 which is drawn over the construction year of the school. The term loan is repayable in instalments commencing on 30 September 2018 and ending on 29 December 2042.

The equity bridge loan of £1,806,910 which was fully drawn at the start of the construction period was repaid on 29 June 2018.

Interest is charged on the term loan and equity bridge loan at LIBOR plus a margin. There are interest rate swaps in place to give a fixed rate of interest. The loans are disclosed net of unamortised issue costs of £492,495 (2017: £555,314).

The term loan is secured by way of a fixed and floating charges over the assets of the company and security over the company's interest in the lease to West Lothian Council in favour of Nord/LB (as security trustee).

**Group and Company**

The Company has previously received £nil (2017: £286,654) in the form of fixed rate loan notes held by Scottish Futures Trust Investments Limited (SFTi) and £nil (2017: £865,695) held by PPDI Assetco Limited. The loans are stated at amortised cost, using the effective interest rate method. Interest is payable at a rate of 3.47% during the construction period and is rolled into the balance. At practical completion (June 2018) the loans were converted to subordinated loan notes with interest payable at 10.45%.

During the year the Company received £1,504,751 (2017: £nil) in the form of fixed rate loan notes held by Galliford Try Investments and £302,159 (2017: £nil) held by West Lothian Council with interest payable at 10.45%.

The loan notes are unsecured and are repayable in instalments commencing on 30 September 2018 and ending on 31 March 2043. Loan interest of £7,593 (2017: £7,912) and £22,929 (2017: £23,895) payable in the period from 1 October 2017 to 29 June 2018 has been rolled up in the balances owed to SFTi and PPDI Assetco Limited respectively. Following practical completion of the school on 29 June 2018 interest has been accruing on the loan balances. Interest of £8,218 (2017: £nil) owed to SFTi, £24,820 (2017: £nil) owed to PPDI Assetco Limited, £40,927 (2017: £nil) owed to Galliford Try Investments Limited and £8,218 (2017: £nil) owed to West Lothian Council was accrued in the year.

# Notes to the Financial Statements

## 12 Creditors - amounts falling due after more than one year (continued)

As at 30 September 2018 £302,159 (2017: £294,566) remains payable to Scottish Futures Trust Investments Limited, £912,520 (2017: £889,590) remains payable to PPDI Assetco Limited, £302,159 remains payable to West Lothian Council and £1,504,750 remains payable to Galliford Try Investments Limited.

The term loan and subordinated loan notes are repayable as follows:

| Group | 2018 £ | 2017 £ |
|---|---|---|
| Less than one year | **917,917** | 1,908,120 |
| Between one and two year | **1,073,870** | 910,836 |
| Between two and five year | **3,440,306** | 3,332,316 |
| After 5 year | **26,528,097** | 14,919,593 |
| | **31,960,190** | 21,070,865 |
| Capital instrument charges < 1 year | **(110,915)** | (83,670) |
| Capital instrument charges > 1 year | **(381,580)** | (471,643) |
| | **31,467,695** | 20,515,552 |

The derivative financial liabilities are repayable as follows:

| Group | 2018 £ | 2017 £ |
|---|---|---|
| Less than one year | **223,705** | 291,887 |
| Between one and two years | **124,206** | 223,456 |
| Between two and five years | **101,859** | 372,128 |
| After 5 years | **(232,735)** | (139,425) |
| | **217,035** | 748,046 |

# Notes to the Financial Statements

## 13 Financial Instruments

| Group | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| **Financial assets** | | |
| Cash at bank and in hand | 839,599 | 4,591,200 |
| Financial assets measured at amortised cost | 31,481,694 | 18,580,379 |
| | 32,321,293 | 23,171,579 |
| **Financial liabilities** | | |
| Financial liabilities measured at amortised cost | 31,596,027 | 23,241,171 |
| Financial liabilities measured at fair value | 217,035 | 748,046 |
| | 31,813,062 | 23,989,217 |

Financial assets measured at amortised cost include the financial asset in respect of the service concession arrangement.

Financial liabilities measured at amortised cost include bank loans, subordinated loan notes to related parties, trade creditors, accruals and amounts owed to related parties.

Financial liabilities measured at fair value through other comprehensive income is the derivative financial liability.

| Company | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| **Financial assets** | | |
| Cash at bank and in hand | - | - |
| Financial assets measured at amortised cost | 3,103,771 | 1,184,156 |
| | 3,103,771 | 1,184,156 |
| **Financial liabilities** | | |
| Financial liabilities measured at amortised cost | 3,103,771 | 1,184,156 |

Financial assets are held at amortised cost and include subordinated loan notes from subsidiary undertaking.

Financial liabilities measured at amortised cost include subordinated loan notes to related parties.

## 14 Called up share capital

| Company and Group | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| **Allotted, issued and fully paid** | | |
| 100 ordinary shares of £1 each | 100 | 100 |

During the year, the share capital of 100 ordinary shares at a nominal value of £100 was split across 3 share classes: 10 Class A Shares (Scottish Futures Trust Investments Limited), 30 Class B Shares (20

# Notes to the Financial Statements

## 14 Called up share capital (continued)

shares belonging to HCF Investment Limited and 10 shares belonging to West Lothian Council) and 60 Class C Shares (Space Scotland Limited).

All issued shares rank pari passu with each other, with one vote for each share and an equal right to dividends.

## 15 Reserves

**Profit and loss reserve**

The profit and loss reserves includes all current and prior year retained profit and losses.

**Cash flow hedge reserve**

The movements in the fair value of the cash flow hedge less the deferred tax credit are included in this reserve.

## 16 Related party transactions

The Group's related parties, and the extent of transactions with them during the year ended 30 September 2018 are set out below:

| | **Purchases from related parties 2018 £** | **Amounts owed to related parties 2018 £** | Purchases from related parties 2017 £ | Amounts owed to related parties 2017 £ |
|---|---|---|---|---|
| Galliford Try Investments Limited | **28,110** | - | 75,034 | 3,762 |
| Galliford Try Building Limited t/a Morrison Construction | **11,906,036** | - | 15,867,499 | 2,664,000 |
| Galliford Try Investments Consultancy Services Limited | **142,214** | - | 129,362 | 16,464 |
| Galliford Try Facilities Management Limited | **68,693** | - | 15,000 | - |
| Total | 12,145,053 | - | 16,086,895 | 2,684,226 |

| | **Annual Service Payments 2018 £** | **Pass through and other income 2018 £** |
|---|---|---|
| West Lothian Council | 681,970 | 195,690 |

Galliford Try Investments Limited is a wholly owned subsidiary of Galliford Try Plc, and owns a stake in the joint venture, SPACE Scotland Limited. Space Scotland Limited owns 60% of WCHS DBFM Holdco Limited. Galliford Try Investments Consultancy Services Limited is 100% owned by Galliford Try Investments Limited and provides operational and financial concession management services to the Group.

# Notes to the Financial Statements

## 16 Related party transactions (continued)

Galliford Try Building Limited is a wholly owned subsidiary of Galliford Try Plc and has entered into a building sub-contract with the Company t/a Morrison Construction.

Galliford Try Facilities Management is a trading name of Galliford Try Building Limited, which is owned by Galliford Try Plc.

**Company**

The company charged interest of £30,522 (2017: £31,807) in respect of loans totalling £1,152,349 (2017: £1,152,349) provided to subsidiary WCHS DBFMCo Limited. This is anticipated by the loan note instrument and the cumulative interest charge at 3.47% of £62,329 (2017: £31,807) has been rolled up into the loan balance while the asset was in construction, resulting in a total balance of £1,214,678 (2017: £1,184,156). At 29 June 2018, this loan was converted to fixed rate subordinated loan notes with interest payable at 10.45%. During the year an additional £1,806,910 of subordinated loans were provided to subsidiary WCHS DBFMCo Limited at an interest rate of 10.45%. As at 30 September 2018 £3,021,588 (2017: £1,184,156) remains receivable from WCHS DBFMCo Limited.

Interest of £82,183 has been accrued (2017: £nil) and is payable on this loan balance.

**Group and Company**

During the year, the Group and Company incurred an interest charge of £7,593 (2017: £7,912) on loan notes totalling £286,654 held by Scottish Futures Trust Investments Limited and an interest charge of £22,929 (2017: £23,895) on loan notes totalling £865,695 held by PPDI Assetco Limited. At 29 June 2018, these loans converted to fixed rate subordinated loan notes with interest payable at 10.45%. From 29 June 2018 interest has accrued on these loans. At 30 September 2018 interest of £8,218 (2017: £nil) and £24,820 (2017: £nil) was accrued and owing to Scottish Futures Trust Investments Limited and PPDI Assetco Limited respectively.

During the year subordinated loan notes of £302,159 held by West Lothian Council and £1,504,751 held by Galliford Try Investments Limited were received. Interest of £8,218 (2017: £nil) and £40,927 (2017: £nil) was accrued and owing to West Lothian Council and Galliford Try Investments respectively at 30 September 2018.

As at 30 September 2018 £302,159 (2017: £294,566) remains payable to Scottish Futures Trust Investments Limited, £912,519 (2017: £889,590) remains payable to PPDI Assetco Limited, £302,159 (2017: £nil) remains payable to West Lothian Council and £1,504,751 (2017: £nil) remains payable to Galliford Try Investments Limited.

## 17 Immediate and ultimate parent undertaking

As a joint venture, the Directors consider there to be no ultimate controlling party.

## 18 Committed expenditure

As at 30 September 2018, the Group has committed to expenditure of £nil (2017: £11,767,378) in respect of the West Calder High School.

# Notes to the Financial Statements

## 19 Financial liabilities measured at fair value through other comprehensive income

| Group | 2018 £ | 2017 £ |
|---|---|---|
| Current derivative financial liabilities (note 11) | **223,705** | 291,887 |
| Non-current derivative financial liabilities (note 12) | **(6,670)** | 456,159 |
| **Total financial liabilities measured at fair value through other comprehensive income** | **217,035** | 748,046 |

The movement in the fair value of the financial liability was £239,125 (2017: (£748,046)) and was recognised within other comprehensive income. £291,887 (2017: £nil) of the fair value at the prior year end was recycled to profit in the year.

The full value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than twelve months from the reporting date, and as a current asset or liability if the maturity of the hedged item is less than twelve months from the reporting date.

***Interest rate swaps***
The notional principal amounts of the outstanding interest rate swap contracts at 30 September 2018 was £nil (2017: £1,806,909) and £29,032,731 (2017: £14,733,290).

At 30 September 2018, the fixed interest rates vary from 0.361% to 1.176% and the main floating rates are LIBOR. Gains and losses recognised in the hedging reserve within equity on interest rate swap contracts as of 30 September 2018 will be continuously released to the Income Statement until the related bank borrowings are repaid.

## 20 Deferred tax

| Group | 2018 £ | 2017 £ |
|---|---|---|
| **Deferred tax asset (note 5)** | **36,896** | 142,129 |

The deferred tax asset is in respect of the fair value of the cash flow hedge. £38,030 (2017: £55,459) is included in current assets with (£1,134) (2017: £86,670) included within non-current assets, in line with the ageing of the fair value of the hedging derivative.