Company Registration No. 08413842 (England and Wales)

GLASGOW LEARNING QUARTER LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2019

GLASGOW LEARNING QUARTER LIMITED

COMPANY INFORMATION

Directors	D Fletcher D Honeyman ACMA R Wotherspoon B.Eng., ACA D Smith D MacDonald
Secretary	HCP Management Services Limited
Company number	08413842
Registered office	8 White Oak Square London Road Swanley Kent BR8 7AG
Auditor	Deloitte LLP Hill House 1 Little New Street London EC4A 3TR

GLASGOW LEARNING QUARTER LIMITED

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STRATEGIC REPORT

FOR THE YEAR ENDED 31 OCTOBER 2019

The Directors present the strategic report for the year ended 31 October 2019.

Principal activity

The principal activity of the Company is and will continue to be the operation of a Non-Profit Distributing (NPD) contract with City of Glasgow College.

Fair review of the business and future developments

As a non-profit distributing entity the Company does not have any key financial indicators. The turnover for the year was £939,456 (2018 restated- £1,227,493) and the net result for the year after taxation is £Nil (2018 - £Nil).

The Company has a net deficit of £23,724,769 (2018 - £17,677,069) which includes a hedge reserve deficit of £23,725,770 (2018 - £17,678,070).

On 30 August 2013 the Company completed financial close and entered into a non-profit distributing contract with City of Glasgow College to deliver the College's new campus developments. On the same date the Company entered into a £167m term debt facility with KFW, Helaba and EIB banks. Further funding has been provided by way of a loan from the shareholders.

On 17 August 2015 the Company achieved practical completion on one site of the new campus developments and the operations phase of the contract commenced. On 22 August 2016 practical completion on a second phase was achieved and this phase became operational.

On 29 January 2018 the phase 4 external works at the City Campus were completed. This constituted the Final Completion Date for the construction works for City of Glasgow College.

The operation of the contract is the principal activity of the Company. There have not been any significant changes in the Company's principal activity during the year, and no major changes are anticipated in the future.

The Directors have considered whether the Company is affected by the United Kingdom's exit from the European Union. Whilst the Company itself is not considered to be significantly exposed to this risk, UK-based subcontractors with which it engages are considered to be exposed to some degree, in relation to supply of materials for maintenance. The impact of this risk on the sub-contractor's performance is borne by them with any deductions or penalties passed on under the Project Agreement and related contracts. Due to the evolving nature of the risk, the Directors will continue to monitor developments.

COVID-19

The World Health Organisation declared the COVID-19 outbreak as a health emergency on 30 January 2020 and a global pandemic on 11 March 2020.

Due to the evolving nature of the risk, the board will continue to actively monitor the situation, however, to date there have been no changes to the contractual cash flows and no such changes are expected or planned.

Principal risks and uncertainties
The Company's operations expose it to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the company's performance. The board has policies for managing each of these risks and they are outlined below

(a) Credit risk

The Company receives its revenue in the form of unitary charge payments from the City of Glasgow College, a government backed organisation, and credit risk is therefore considered to be minimal.

(b) Liquidity risk

The Company manages its liquidity by maintaining sufficient cash and liquid resources to meet its obligations. The nature of the project is such that cash flows are reasonably predictable.

(c) Interest rate risk

The Company hedged its interest rate risk at the inception of the project either by entering into swap agreements or by fixing the interest rate.

(d) Inflation rate risk

Project revenue and most of the costs are linked to the inflation rate which results in the project being largely insensitive to inflation.

Re-statement of turnover
The turnover in the year ended 31 October 2018 has been restated. This is due to the interest received on the finance debtor previously being included in turnover. This interest has now been included in finance income. An adjustment has thus been made for £12,629,054. The overall result for the prior year remains unchanged.

Approved by the Board on 25 June 2020 and signed on its behalf by:

....
D Smith
Director

The Directors present their annual report and financial statements for the year ended 31 October 2019.

Principal activity
Details of the principal activity of the Company are included in the Strategic Report and form part of this report by cross-reference.

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

D Fletcher
D Honeyman ACMA
R Wotherspoon B.Eng., ACA
D Smith
D MacDonald

Results and dividends
The Directors cannot recommend payment of a final dividend, as no shares carry any entitlement to a dividend or other payment or distribution. All surplus amounts are due to City of Glasgow College and not to the shareholders.

No ordinary dividends were paid (2018: £Nil). The directors do not recommend payment of a final dividend.

Financial instruments
The Company's liquidity risk is principally managed through financing the Company by means of long term borrowings. The financial risk management objectives of the Company are to ensure that financial risks are mitigated by the use of financial instruments where they cannot be addressed by means of contractual provisions. The company uses interest rate swaps to reduce its exposure to interest rate movements. Financial Instruments are not used for speculative purposes.

Interest rate and liquidity risk
Due to the nature of the Company's business, the only financial risks the directors consider relevant to this Company is interest rate and liquidity risk. Credit and cashflow risk are not considered significant as the sole client is Glasgow College.

The financial risk management objectives of the Company are to ensure that the financial risks are mitigated by the use of the Financial Instruments, where they can not be addressed by means of contractual provisions. The Company uses an Interest Rate Swap to reduce its exposure to interest rate movements. Financial Instruments are not used for speculative purposes.

The Company's liquidity risk is principally managed through financing the company by means of long term borrowings.

Details of the company's financial risk management policies and objectives have been presented as part of "Principal risks and uncertainties" in the Strategic Report.

Future developments
Details of future developments can be found in the Strategic Report and form part of this report by cross-reference.

Auditor
The auditor, Deloitte LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Going concern
Although the College has been closed due to the COVID-19 pandemic, as the City of Glasgow College is the sole customer and a Government funded body following government guidance, it is considered that the risk of not being paid in line with the Project Agreement is remote and, as at the date of these accounts, payments have continued to be received in line with standard payment terms. A standstill agreement has been put in place between the Company and the College, confirming deductions will not be applied if the Company is unable to continue to provide services during the crisis, although essential services are being maintained. The directors have also considered the impact of the crisis on the City of Glasgow College and do not believe there to be any further risk to the project as a result of this.

The Company has net liabilities as a result of its derivative financial Instrument. The fair value of the company's interest rate swap was a liability of £23,725,770 at 31 October 2019. The Directors do not anticipate settling this liability as it will naturally unwind as it reaches maturity. Therefore, after making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and financial statements.

Further details regarding the adoption of the going concern basis can be found in the accounting policies note in the financial statements.

Post balance sheet events
The World Health Organisation declared the COVID-19 outbreak a health emergency on 30 January 2020 and a global pandemic on 11 March 2020. Contingency measures have been put in place to ensure the financial management of the Company continues through the crisis. The Company and its facilities management company continue to maintain the facilities in a state where they are compliant with all relevant regulations and available for use once the College is able to re-open. See above and the Strategic Report for details of the related risks and note 14 for the financial impact of this event.

Disclosure of information to the auditor
Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Approved by the board on 25 June 2020 and signed on its behalf by:

D Smith
Director

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 OCTOBER 2019

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GLASGOW LEARNING QUARTER LIMITED

Opinion

In our opinion the financial statements of Glasgow Learning Quarter Limited:

- give a true and fair view of the state of the company's affairs as at 31 October 2019 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 14.

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).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

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 respect of these matters.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF GLASGOW LEARNING QUARTER LIMITED

Use of our report

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

Tobias Wright

....

Tobias Wright (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London
United Kingdom

25 June 2020

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GLASGOW LEARNING QUARTER LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 OCTOBER 2019

	Notes	2019 £	2018 Restated £
Revenue	3	939,456	1,227,493
Cost of sales		(1,968,008)	(2,026,209)
Gross loss		(1,028,552)	(798,716)
Administrative expenses		(62,330)	(59,822)
Operating loss		(1,090,882)	(858,538)
Investment income	3	12,534,891	12,722,408
Finance costs	6	(11,444,009)	(11,863,870)
Result before taxation		-	-
Tax on result	7	-	-
Result for the financial year		-	-

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

GLASGOW LEARNING QUARTER LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 OCTOBER 2019

	2019 £	2018 £
Result for the year	-	-
Other comprehensive income		
Cash flow hedges (loss)/gain arising in the year	(6,047,700)	2,639,228
Total comprehensive (loss)/ income for the year	(6,047,700)	2,639,228

GLASGOW LEARNING QUARTER LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 OCTOBER 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Non-current assets					
Trade and other receivables	8		167,558,368		170,980,686
Current assets					
Trade and other receivables	8	4,666,979		4,748,012	
Cash and cash equivalents		11,394,792		12,821,553	
		16,061,771		17,569,565	
Current liabilities	9	(19,015,086)		(19,913,758)	
Net current liabilities			(2,953,315)		(2,344,193)
Total assets less current liabilities			164,605,053		168,636,493
Non-current liabilities	10		(188,329,822)		(186,313,562)
Net liabilities			(23,724,769)		(17,677,069)
Equity					
Called up share capital	12		1,001		1,001
Hedging reserve			(23,725,770)		(17,678,070)
Total equity			(23,724,769)		(17,677,069)

The financial statements were approved by the board of directors and authorised for issue on 25 June 2020 and are signed on its behalf by:

D Smith
Director

Company Registration No. 08413842

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 OCTOBER 2019

	Share capital £	Hedging reserve £	Total £
Balance at 1 November 2017	1,001	(20,317,298)	(20,316,297)
Year ended 31 October 2018:			
Result for the year	-	-	-
Other comprehensive income:			
Cash flow hedges gains	-	2,639,228	2,639,228
Balance at 31 October 2018	1,001	(17,678,070)	(17,677,069)
Year ended 31 October 2019:			
Result for the year	-	-	-
Other comprehensive loss:			
Cash flow hedges losses	-	(6,047,700)	(6,047,700)
Balance at 31 October 2019	1,001	(23,725,770)	(23,724,769)

1 Accounting policies

Company information
Glasgow Learning Quarter Limited is a private company limited by shares incorporated in England and Wales. The registered office is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

The company's' functional and presentation currency is GBP. The principal activity has been disclosed in the Strategic Report.

1.1 Accounting policies

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance
These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation
These financial statements have been prepared using the historical cost convention except, as disclosed in the accounting policies, certain items are shown at fair value.

Summary of disclosure exemptions
The Company has taken advantage of the exemption in Section 1.12(b) of FRS 102 in relation to financial instruments, not producing a cash flow statement and not disclosing related party transactions, on the basis that it is a qualifying entity.

Name of parent of group
These financial statements are consolidated in the financial statements of Glasgow Learning Quarter (Holdings) Limited. That entity is the parent company of the smallest and largest group to consolidate these financial statements.

The financial statements of Glasgow Learning Quarter (Holdings) Limited are available to the public and may be obtained from 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

Critical accounting judgements
Apart from those involving estimations (which are dealt with separately below), the Directors have concluded that there are no critical accounting judgements made in the process of applying the company's accounting policies.

Key sources of estimation uncertainty
NPD service concession: Accounting for the service concession contracts and financial assets requires an estimation of service margins, which are based on forecasted revenues and costs of the NPD contract.

Hedge accounting: the Company designated an interest rate swap as a cash flow hedge at the inception of this contract. On an ongoing basis the Company documents whether the cash flow hedge is highly effective in offsetting changes in cash flows of the hedged item. Movements in the hedging reserve are detailed in the Statement of Changes in Equity.

1 Accounting policies **(Continued)**

1.2 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Company is set out in the balance sheet and the accompanying notes to the financial statements. A description of the Company's investment risk is also set out in the Strategic Report.

Although the College has been closed due to the COVID-19 pandemic, as the City of Glasgow College is the sole customer and a Government funded body following government guidance, it is considered that the risk of not being paid in line with the Project Agreement is remote and, as at the date of these accounts, payments have continued to be received in line with standard payment terms. A standstill agreement has been put in place between the Company and the College, confirming deductions will not be applied if the Company is unable to continue to provide services during the crisis, although essential services are being maintained. The directors have also considered the impact of the crisis on the City of Glasgow College and do not believe there to be any further risk to the project as a result of this.

The Company has net liabilities as a result of its derivative financial instrument. The fair value of the Company's interest rate swap was a liability of £23,725,770 at 31 October 2019. The Directors do not anticipate settling this liability as it will naturally unwind as it reaches maturity. Therefore, after making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and financial statements.

1.3 Turnover

PPP turnover is recognised by allocating a proportion of total cash received over the life of the project to service costs by means of a deemed constant rate of return on those costs. Management model these costs over the lifetime of the project to estimate the likely total costs.

Finance income

A proportion of total cash received over the life of the project is allocated to the financial asset using the effective interest rate method, giving rise to finance income.

1.4 Borrowing costs

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the profit and loss account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

1.5 Cash and cash equivalents

Cash at bank and in hand comprise cash in hand, call deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

1 Accounting policies **(Continued)**

1.6 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Basic financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in short-term deposits, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised costs using the effective interest method.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

1 Accounting policies **(Continued)**

Basic financial liabilities

Basic financial liabilities, including trade and other payables, Senior loans, loans from parent company, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of Senior loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

1.7 Derivatives

Derivatives, which include interest rate swaps, are not basic financial instruments.

Hedge accounting

The company applies hedge accounting for transactions entered into in order to manage the cash flow exposures of borrowings. Interest rate swaps are held to manage the interest rate exposures and are designed as cash flow hedges of floating rate borrowings.

Changes in fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in equity. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in profit or loss.

The gain or loss recognised in other comprehensive income is reclassified to profit or loss when the hedge relationship ends. Hedge accounting is discounted when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated.

1 Accounting policies **(Continued)**

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.8 Finance debtor

The Company is an operator of an NPD contract. The underlying asset is not deemed to be an asset of the company under old UK GAAP, because the risks and rewards of ownership as set out in that standard are deemed to lie principally with The City of Glasgow College. This treatment was grandfathered on transition to FRS 102.

During the construction phase of the project, all attributable expenditure was included in work in progress (see above). Upon becoming operational, the costs were transferred to the finance debtor via a deemed disposal of work in progress.

During the operational phase, income is allocated between the capital repayment of the finance debtor and interest income using a project specific interest rate. The remainder of the NPD unitary charge income is included within turnover on a margin of costs basis and is described in more detail in the turnover accounting policy.

1.9 Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

1.10 Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

1.11 Trade debtors

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

2 Change in accounting policy

The PPP turnover is recognised by allocating a proportion of total cash received over the life of the project to service costs by means of a deemed constant rate of return on those costs. The residual element of projected cash is allocated to the financial asset using the effective interest rate method, giving rise to interest income which was historically recorded in turnover.

The directors consider that disclosing the interest income allocated to the financial asset using the effective interest rate method as finance income provides a fairer presentation of the operations of the Company, and brings the policy into line with industry practice. The comparative figures in the primary statements and notes have been restated to reflect the new policy.

The effect/s of the change in policy are/is summarised below:

Decrease in turnover £12,430,514 (2018 - £12,629,054)
Decrease in gross profit £12,430,514 (2018 - £12,629,054)
Decrease in Operating profit £12,430,514 (2018 - £12,629,054)
Increase in finance income £12,430,514 (2018 - £12,629,054)
Impact on profit for the financial year £Nil (2018 - £Nil)

There is no impact on other reserves of the company.

3 Revenue

	2019	2018 Restated
	£	£
NPD service contract	939,456	1,227,493

	2019	2018 Restated
	£	£
Other significant revenue		
Interest income	12,534,891	12,722,408

The turnover for the year ended 31 October 2018 has been restated. This is due to the interest received on the finance debtor being reclassified from turnover to interest income. The adjustment to the prior year is to reduce turnover by £12,629,054.

4 Auditor's remuneration

	2019	2018
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the financial statements of the company	25,000	17,800

5 Employees

The Company had no employees during the year (2018 - None) and therefore no staff costs (2018 - £Nil), and no emoluments were paid to the Directors in respect of their services to the Company (2018 - £Nil).

6 Finance costs

	2019	2018
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	8,978,540	9,340,004
Interest payable to group undertakings	2,050,383	2,088,399
	11,028,923	11,428,403
Other finance costs:		
Amortisation of issue cost	415,086	435,467
	11,444,009	11,863,870

7 Taxation

The Company makes neither profit nor loss and therefore there is no current tax charge. A deferred tax asset of £4,033,381 (2018 - £3,005,272) has not been recognised on the swap liability on the basis that future taxable profits will not be available to utilise this asset.

8 Trade and other receivables

	2019	2018
Amounts falling due within one year:	£	£
Trade receivables	34,512	250,479
Amounts owed by group undertakings (Interest-free)	92	92
Other receivables	4,443,942	4,163,777
Prepayments and accrued income	188,433	333,664
	4,666,979	4,748,012

	2019	2018
Amounts falling due after more than one year:	£	£
Finance debtor	167,558,368	170,980,686
Total debtors	172,225,347	175,728,698

9 Current liabilities

	Note	2019 £	2018 £
Loans and borrowings	11	5,399,676	6,644,479
Trade payables		194,431	536,359
Other taxation and social security		573,066	686,381
Other payables		2,419,569	2,419,569
Accruals and deferred income		10,428,344	9,626,970
		19,015,086	19,913,758

10 Non-current liabilities

	Note	2019 £	2018 £
Loans and borrowings	11	164,604,052	168,635,492
Other payables		23,725,770	17,678,070
		188,329,822	186,313,562

11 Borrowings

	2019	2018
	£	£
Senior loans	147,210,450	151,977,158
Loan notes	22,793,278	23,302,813
	170,003,728	175,279,971
Payable within one year	5,399,676	6,644,479
Payable within five years	24,876,167	21,840,128
Payable after five years	139,727,885	146,795,364

Included in the loans and borrowings are the following amounts due after more than five years:

	2019	2018
	£	£
After more than five years by instalments	139,727,885	146,795,364

The company has the following Senior loans:

Senior loan of £76,346,770 (2018 - £78,959,181) accrues interest on a semi annual basis at 2.75% plus LIBOR and Senior loan of £75,726,364 (2018 - £78,295,747) accrues interest on a semi annual basis at 5.054%. The senior loans are due for repayment in 2039 and is secured over the assets of the Company. The senior loans are are repayable by non-equal instalments.

The company has the following loan notes:

Loan notes of £22,793,278 (2018 - £23,302,813) are issued to Glasgow Learning Quarter (Holdings) Limited, the Company's immediate parent company, and are included within both creditors: amounts falling due within one year and after more than one year.

The loan notes accrue interest on a semi annual basis at an average lifetime rate of 8.96%. The loan notes are due for repayment in 2040. The loan notes are repayable by non-equal instalments.

12 Share capital

	2019	2018
	£	£
Ordinary share capital		
Issued and fully paid		
Ordinary A of £1 each	1,000	1,000
Ordinary B of £1 each	1	1
	1,001	1,001

Each Ordinary A share and Ordinary B share rank equally in all respects. No share shall carry any entitlement to a dividend or other payment or distribution.

13 Ultimate controlling party

The Company considers the immediate and ultimate parent company to be Glasgow Learning Quarter (Holdings) Limited, which owns greater than 99% of the issued share capital.

14 Events after the reporting date

The World Health Organisation declared the COVID-19 outbreak a health emergency on 30 January 2020 and a global pandemic on 11 March 2020. Many actions taken by the UK Government and the private sector to respond to the outbreak followed these announcements.

A review of the risks due to COVID-19 can be found in the Strategic Report. Based on those risks and due to the Government's actions in responding to COVID-19, in particular in providing guidance that public bodies should continue to pay their suppliers in full, there is not expected to be any significant financial impact on the Company.