

Registration number: SC190329

# 3ED Holdings Limited

Annual Report and Consolidated Financial Statements

for the Period from 1 October 2014 to 31 March 2016

THURSDAY



\*S5CN7QHL\*

SCT

04/08/2016

#172

COMPANIES HOUSE

## **3ED Holdings Limited**

### **Contents**

Company Information	1
Strategic Report for the Period Ended 31 March 2016	2
Directors' Report for the Period Ended 31 March 2016	3 to 5
Independent Auditors' Report to the members of 3ED Holdings Limited	6 to 7
Consolidated Profit and Loss Account for the Period Ended 31 March 2016	8
Consolidated Statement of Comprehensive Income for the Period Ended 31 March 2016	8
Consolidated Balance Sheet as at 31 March 2016	9
Company Balance Sheet as at 31 March 2016	10
Consolidated Statement of Changes in Equity for the Period Ended 31 March 2016	11
Company Statement of Changes in Equity for the Period Ended 31 March 2016	12
Consolidated Statement of Cash Flows for the Period Ended 31 March 2016	13
Notes to the Consolidated Financial Statements for the Period Ended 31 March 2016	14 to 31

## **3ED Holdings Limited**

### **Company Information**

<b>Directors</b>	M T Smith A C Ritchie C T Solley K A McLellan S McInnes
<b>Company secretary</b>	Semperian Secretariat Services Limited
<b>Registered office</b>	1 Atlantic Quay 1 Robertson Street Glasgow G2 8JB
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 2 Glass Wharf Bristol BS2 0FR

## 3ED Holdings Limited

### Strategic report for the period ended 31 March 2016

The Directors present their Strategic Report for the period from 1 October 2014 to 31 March 2016.

#### Principal activity

The principal activity of the group is to design, construct, refurbish and provide lifecycle maintenance, and facilities management services to schools within the Glasgow area over a 30 year period. Included within the project are 29 secondary schools and 1 primary school.

#### Results and review of business

The profit for the period is set out in the consolidated profit and loss account on page 8. The Directors consider the performance of the group during the period and the financial position at the end of the period, to be in line with the long term expected performance of the project, and its prospects for the future to be satisfactory.

#### Principal risks and uncertainties

The group has taken on the activity, as detailed above, and is risk averse in its trading relationships with its customer, funders and sub-contractors as determined by the terms of their respective detailed PFI contracts. In extreme circumstances, the group could be exposed to subcontractor failure to perform their obligations. The financial risks and the measures taken to mitigate them are as detailed in the Directors' Report.

#### Key performance indicators ('KPIs')

The group's operations are managed under the supervision of its shareholders and funders and are largely determined by the detailed terms of the PFI contract which stipulates key performance criteria on operational activities as managed by the sub-contractor. For this reason, the group's Directors believe that further operational key performance indicators for the group are not necessary or appropriate for an understanding of the performance or position of the business. In addition the Directors monitor compliance with debt covenant ratios as specified in the senior loan agreement, in particular the Debt Service Cover Ratio, and no non-compliance has been noted.

#### Transition to FRS 102

This is the first year that the company and group have presented their results under FRS 102. The last financial statements under the UK GAAP were for the year ended 30 September 2014. The date of transition to FRS 102 was 1 October 2013.

FRS102 is to be applied to accounting periods beginning on or after 1 January 2015. The company's current accounting period began on 1 October 2014 and therefore the company has elected to apply early adoption of FRS102.

The key impact on the financial statements for the group was the recognition of derivative financial instruments at fair value, together with the deferred tax thereon.

The adoption of FRS102 had no material impact on the financial statements of the company.

Approved by the Board on 26 JUL 2016 and signed on its behalf by:



A C Ritchie  
Director

26 JUL 2016

## **3ED Holdings Limited**

### **Directors' Report for the Period Ended 31 March 2016**

**Registration Number: SC190329**

The Directors present their report and the audited financial statements of the company and the group for the period from 1 October 2014 to 31 March 2016.

#### **Future developments**

No significant changes are expected to the group's activities, as set out in the Strategic Report, in the foreseeable future.

#### **Dividends**

A dividend of £56,000 (£2.80 per ordinary share) was paid during the period (year ended 30 September 2014: £nil).

#### **Financial risk management**

The group has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the group's performance. The Directors have policies for managing each of these risks and they are summarised below.

In addition, the company also takes the risk of impairment of its investment in 3ED Holdings 2 Limited. This risk is directly related to the performance of 3ED Holdings 2 Limited and its subsidiaries, 3ED Glasgow Limited and 3ED Sisterco Limited.

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

The senior debt interest has been fixed through the use of fixed funding rates, plus a margin. The subordinated debt interest has been fixed through the use of a fixed funding rate. Details of this can be found in note 14.

#### ***Inflation risk***

The group's project revenue and most of its costs were linked to inflation at the inception of the project, resulting in the project being largely insensitive to inflation.

#### ***Liquidity risk***

The group adopts a prudent approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet its obligations as they fall due.

#### ***Credit risk***

The group receives the majority of its revenue from Glasgow City Council and is not exposed to significant credit risk. Cash investments are with institutions of a suitable credit quality.

#### ***Major maintenance replacement risk***

The group is responsible for managing the ongoing major maintenance replacement of the building and relevant equipment, but the risks associated with this activity are largely borne by the subcontractor.

#### **Directors of the Company**

The directors who held office during the period were as follows:

M T Smith

J M Linney (resigned 22 July 2015)

A C Ritchie

M J M Watson (resigned 16 January 2015)

C T Solley

K A McLellan

S McInnes (appointed 22 July 2015)

## **3ED Holdings Limited**

### **Directors' Report for the Period Ended 31 March 2016 (continued)**

#### **Directors' responsibilities statement**

The Directors are responsible for preparing the Strategic Report, the Directors' 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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland' (FRS 102).

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 group and the company and of the profit or loss of the group 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 United Kingdom Accounting Standards, including FRS102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions, disclose with reasonable accuracy at any time the financial position of the company and the group, 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Going concern**

Although the group's Balance Sheet reflects net liabilities, this is primarily caused by the recognition of derivative financial instruments at their fair values. These derivative financial instrument liabilities are unrealised and are part of hedging arrangements that help to reduce volatility in the group's cash flows over the duration of the PFI project. Having reviewed the group's projected profits and cash flows by reference to a financial model, that includes the impact of these instruments, the Directors consider that the group will be able to settle its debts as they fall due and accordingly the financial statements have been prepared on a going concern basis.

#### **Disclosure of information to the auditors**

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 auditors are aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

## **3ED Holdings Limited**

### **Directors' Report for the Period Ended 31 March 2016 (continued)**

#### **Reappointment of auditors**

Ernst & Young LLP resigned as auditors during the period and PricewaterhouseCoopers LLP were appointed in their place.

The auditors, PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors have signified their willingness to continue in office.

Approved by the Board on **26 JUL 2016** and signed on its behalf by:



A C Ritchie  
Director

**26 JUL 2016**

## **3ED Holdings Limited**

### **Independent Auditors' Report to the members of 3ED Holdings Limited**

#### **Report on the financial statements**

##### **Our opinion**

In our opinion, 3ED Holdings Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2016 and of the group's profit and cash flows for the 18 month period 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.

##### **What we have audited**

The financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), comprise:

- the Consolidated and Company Balance Sheets as at 31 March 2016;
- the Consolidated Profit and Loss Account and Consolidated Statement of Comprehensive Income for the period then ended;
- the Consolidated and Company Statement of Changes in Equity for the period then ended;
- the Consolidated Cash Flow Statement for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

#### **Other matters on which we are required to report by exception**

##### **Adequacy of accounting records and information and explanations received**

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

##### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.



## 3ED Holdings Limited

### Independent Auditors' Report to the members of 3ED Holdings Limited (continued)

#### Responsibilities for the financial statements and the audit

##### Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

##### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



.....  
Paul Nott (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Bristol

Date: 27 July 2016

## 3ED Holdings Limited

### Consolidated Profit and Loss Account for the Period from 1 October 2014 to 31 March 2016

	Note	1 October 2014 to 31 March 2016 £000	Year ended 30 September 2014 £000
<b>Turnover</b>	4	42,077	27,485
Cost of sales		(34,150)	(22,463)
<b>Gross profit</b>		7,927	5,022
Administrative expenses		(620)	(541)
<b>Operating profit</b>	5	7,307	4,481
Interest receivable and similar income	6	23,603	16,522
Interest payable and similar charges	7	(23,462)	(16,647)
<b>Profit on ordinary activities before taxation</b>		7,448	4,356
Taxation	8	4,532	(1,730)
<b>Profit for the financial period</b>		11,980	2,626

The above results were derived from continuing operations.

### Consolidated Statement of Comprehensive Income for the Period Ended 31 March 2016

	Note	1 October 2014 to 31 March 2016 £000	Year ended 30 September 2014 £000
<b>Profit for the period</b>		11,980	2,626
<b>Other comprehensive income:</b>			
Change in value of hedging instrument		(13,328)	(18,039)
Reclassifications to profit and loss		15,820	11,417
Deferred tax arising on unrealised gain/(loss) on cash flow hedges	8	(1,722)	1,325
<b>Other comprehensive income for the period, net of tax</b>		770	(5,297)
<b>Total comprehensive income for the period</b>		12,750	2,671

The notes on pages 14 to 31 form an integral part of these financial statements.

# 3ED Holdings Limited

## Consolidated balance sheet at 31 March 2016

	Note	31 March 2016 £000	30 September 2014 £000
<b>Current assets</b>			
Debtors: Amounts falling due within one year	11	15,693	16,760
Debtors: Amounts falling due after more than one year	12	190,023	204,751
Cash at bank and in hand		20,405	20,721
		<u>226,121</u>	<u>242,232</u>
<b>Creditors: Amounts falling due within one year</b>	13	<u>(20,640)</u>	<u>(20,457)</u>
<b>Total assets less current liabilities</b>		205,481	221,775
<b>Creditors: Amounts falling due after more than one year</b>	13	(239,195)	(261,206)
<b>Provisions for liabilities</b>	15	<u>(5,120)</u>	<u>(12,097)</u>
<b>Net liabilities</b>		<u>(38,834)</u>	<u>(51,528)</u>
<b>Capital and reserves</b>			
Called up share capital	17	20	20
Profit and loss account		11,316	(608)
Cash flow hedge reserve		<u>(50,170)</u>	<u>(50,940)</u>
<b>Total equity</b>		<u>(38,834)</u>	<u>(51,528)</u>

26 JUL 2016

Approved by the Board on ..... and signed on its behalf by:



A C Ritchie  
Director


The notes on pages 14 to 31 form an integral part of these financial statements.

# 3ED Holdings Limited

## Company Balance Sheet as at 31 March 2016

	Note	31 March 2016 £000	30 September 2014 £000
<b>Fixed assets</b>			
Investments	10	<u>1</u>	<u>1</u>
<b>Current assets</b>			
Debtors: Amounts falling due after more than one year	12	<u>20</u>	<u>20</u>
<b>Total assets less current liabilities</b>		<u>21</u>	<u>21</u>
<b>Creditors: Amounts falling due after more than one year</b>	13	<u>(1)</u>	<u>(1)</u>
<b>Net assets</b>		<u>20</u>	<u>20</u>
<b>Capital and reserves</b>			
Called up share capital	17	<u>20</u>	<u>20</u>
Profit and loss account		<u>-</u>	<u>-</u>
<b>Total Equity</b>		<u>20</u>	<u>20</u>

Approved by the Board on 26 JUL 2016 and signed on its behalf by:

  
 .....  
 A C Ritchie  
 Director

26 JUL 16

The notes on pages 14 to 31 form an integral part of these financial statements.

## 3ED Holdings Limited

### Consolidated Statement of Changes in Equity for the Period Ended 31 March 2016

	Share capital £000	Profit and loss account £000	Cash flow hedge reserve £000	Total £000
At 1 October 2013	20	(3,234)	(45,643)	(48,857)
Profit for the period	-	2,626	-	2,626
Other comprehensive income	-	-	(5,297)	(5,297)
Total comprehensive income	-	2,626	(5,297)	(2,671)
At 30 September 2014	20	(608)	(50,940)	(51,528)

	Share capital £000	Profit and loss account £000	Cash flow hedge reserve £000	Total £000
At 1 October 2014	20	(608)	(50,940)	(51,528)
Profit for the period	-	11,980	-	11,980
Other comprehensive income	-	-	770	770
Total comprehensive income	-	11,980	770	12,750
Dividends	-	(56)	-	(56)
At 31 March 2016	20	11,316	(50,170)	(38,834)

18

The notes on pages 14 to 31 form an integral part of these financial statements.

## 3ED Holdings Limited

### Company Statement of Changes in Equity for the Period Ended 31 March 2016

	Share capital £000	Profit and loss account £000	Total £000
At 1 October 2013	20	-	20
Profit for the period	-	-	-
Total comprehensive income	-	-	-
At 30 September 2014	20	-	20

	Share capital £000	Profit and loss account £000	Total £000
At 1 October 2014	20	-	20
Profit for the period	-	56	56
Total comprehensive income	-	56	56
Dividends	-	(56)	(56)
At 31 March 2016	20	-	20

Note

18

The notes on pages 14 to 31 form an integral part of these financial statements.

## 3ED Holdings Limited

### Consolidated Statement of Cash Flows for the Period Ended 31 March 2016

	Note	1 October 2014 to 31 March 2016 £000	Year ended 30 September 2014 £000
<b>Net cash from operating activities</b>	19	20,948	12,393
Taxation paid		(2,687)	-
<b>Net cash generated from operating activities</b>		<u>18,261</u>	<u>12,393</u>
<b>Cash flow from investing activities</b>			
Interest received		23,603	16,522
<b>Net cash generated from investing activities</b>		<u>23,603</u>	<u>16,522</u>
<b>Cash flow from financing activities</b>			
Repayment of senior debt		(17,831)	(10,830)
Repayment of subordinated debt		(1,655)	(357)
Dividends paid to the owners of the parent		(56)	-
Interest paid		(22,638)	(16,676)
<b>Net cash used in financing activities</b>		<u>(42,180)</u>	<u>(27,863)</u>
<b>Net increase in cash and cash equivalents</b>		(316)	1,052
Cash and cash equivalents at the beginning of the period		<u>20,721</u>	<u>19,669</u>
<b>Cash and cash equivalents at the end of the period</b>		<u>20,405</u>	<u>20,721</u>

The notes on pages 14 to 31 form an integral part of these financial statements.

## **3ED Holdings Limited**

### **Notes to the Financial Statements for the Period Ended 31 March 2016**

#### **1 General Information**

The principal activity of the group is to design, construct, refurbish and provide lifecycle maintenance, and facilities management services to schools within the Glasgow area over a 30 year period. Included within the project are 29 secondary schools and 1 primary school.

The company is a private company limited by shares and is incorporated and domiciled in Scotland.

The address of its registered office is:

1 Atlantic Quay  
1 Robertson Street  
Glasgow  
G2 8JB

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

#### **2 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. Details of the transition to FRS 102 are disclosed in note 23.

##### **Statement of compliance**

The group and individual financial statements of 3ED Holdings Limited were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

##### **Basis of preparation**

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group and the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

##### **Going concern**

Although the group's Balance Sheet reflects net liabilities, this is primarily caused by the recognition of derivative financial instruments at their fair values. These derivative financial instrument liabilities are unrealised and are part of hedging arrangements that help to reduce volatility in the group's cash flows over the duration of the PFI project. Having reviewed the group's projected profits and cash flows by reference to a financial model, that includes the impact of these instruments, the directors consider that the group will be able to settle its debts as they fall due and accordingly the financial statements have been prepared on a going concern basis.

##### **Basis of Consolidation**

The group financial statements comprise a consolidation of the financial statements of the company and all its subsidiaries for the period ended 31 March 2016. The results of companies acquired or disposed of, where applicable, are consolidated from the effective date of the acquisition or the effective date of disposal. The company has no associates or joint ventures.

The company has taken advantage of the exemption in section 408 of the Companies Act 2006 from disclosing its individual profit and loss account.



## **3ED Holdings Limited**

### **Notes to the Financial Statements for the Period Ended 31 March 2016 (continued)**

#### **2 Accounting policies (continued)**

##### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the group and value added taxes.

The group recognises income when it has fully fulfilled its contractual obligations. The group includes sales and purchase transactions related to variations under the original contract where the benefits and risks are retained by the group, within the financial statements as turnover and operating costs.

Where appropriate, income received under the PFI contract in respect of services provided during the operational phase of the contract is deferred to future periods in order to match those elements of income with the costs to which they relate. The turnover and cost of sales are recorded in the profit and loss account in the period in which the relevant costs are incurred.

Transactions to which the group does not have access to all the significant benefits and risks are excluded from the financial statements

##### **Finance debtor**

The group has elected to take the exemption under FRS 102 paragraph 35.10 (i) to continue to apply its previous accounting treatment in respect of Service Concession Arrangements entered into prior to the date of transition to FRS 102. The costs incurred in constructing the assets have been treated as a finance debtor. This treatment arose from applying the guidance within previous UK GAAP which indicated that the project's principal agreements transfer substantially all the risks and rewards relating to the property to the customer.

The finance debtor represents the costs arising on the construction of the assets including initial tender costs. During asset construction, finance debtor interest income is recognised on an accruals basis and is capitalised within the finance debtor receivable. Once the project reached its operational phase and was accepted by the customer a constant proportion of the planned net revenue arising from the project was allocated to remunerate the finance debtor. Imputed interest receivable is allocated to the finance debtor using a property specific rate to generate a constant rate of return over the life of the contract. Over the course of the contract term the finance debtor is expected to be fully repaid.

##### **Investment income**

Investment income may include dividends and interest receivable. Dividends are included, as 'Income from shares in group undertakings', when declared by the paying company. Interest receivable is included, as 'Interest receivable and similar income', on an accruals basis. This heading also includes the amortisation of any premium or discount on the purchase of the loan which has been spread over the life of the loan to determine an effective interest rate.

##### **Fixed asset investments**

Fixed asset investments are stated at historical cost less provision for any diminution in value.

##### **Taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

## 3ED Holdings Limited

### Notes to the Financial Statements for the Period Ended 31 March 2016 (continued)

#### 2 Accounting policies (continued)

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis. Deferred tax assets are only recognised when it is considered more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and 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.

#### Financial Instruments

The group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

##### *(i) Financial assets*

Basic financial assets, including trade and other receivables, finance debtors, cash and bank balances, 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 cost using the effective interest method.

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.

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) 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.

##### *(ii) Financial liabilities*

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

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

## 3ED Holdings Limited

### Notes to the Financial Statements for the Period Ended 31 March 2016 (continued)

#### 2 Accounting policies (continued)

Fees paid on the establishment of 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 or less. 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.

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

#### *(iii) Offsetting*

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### *(iv) Derivatives and Hedging arrangements*

Derivatives, which may include interest rate swaps and RPI swaps, 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 income as appropriate, unless they are included in hedging arrangements.

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

Changes in the 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 the profit and loss account.

The gain or loss recognised in other comprehensive income is reclassified to the profit and loss account in the same period in which the hedged transaction is recognised in the profit and loss account or when the hedge relationship ends. Hedge accounting is discontinued 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.

#### **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. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

#### **Dividends**

Dividends and other distributions to the company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

## 3ED Holdings Limited

### Notes to the Financial Statements for the Period Ended 31 March 2016 (continued)

#### 2 Accounting policies (continued)

##### Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions which have been complied with, including notification of, and no objection to, the use of exemptions by the company's shareholders.

The company has taken advantage of the following exemptions:

- (i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the company's cash flows;
- (ii) from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures;
- (iii) the requirement to disclose related party transactions, with the members of the same group, that are wholly owned.

#### 3 Critical accounting judgements and estimation uncertainty

Judgements, estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may subsequently differ from these estimates.

The judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates made are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Certain critical accounting judgements, adopted by management, in applying the group and the company's accounting policies are described below:

##### Finance Debtor

The group has elected to continue to apply its previous accounting treatment in respect of service concession arrangements entered into prior to the date of transition to FRS 102. This has resulted in the measurement of the finance debtor being different from that which would have resulted had the requirements of FRS 102 Section 34 been fully adopted. The accounting for service concession contracts and finance debtors requires estimation of service margins, finance debtors interest rates and associated amortisation profile which are based on the forecast results of the PFI contracts over the respective concession length. See notes 11 and 12 for the carrying value of the finance debtor.

##### Impairment of debtors

Management makes an estimate of the likely recoverable value of trade and other debtors by considering factors including the current credit rating, the ageing profile and the historic experience of the respective debtor. See note 11 for the carrying value of the debtors.

##### Treatment and measurement of derivatives

The directors have adopted a policy of cash flow hedge accounting for derivative financial instruments and have assessed that the group's interest rate swaps meet the criteria for hedge accounting under FRS 102. This allows unrealised gains and losses to be deferred in a cash flow hedge reserve and only recognised through the profit and loss account at the same time as the hedged cash flows.

The derivative financial instruments are recognised at fair value. The measurement of fair value is based on estimates of future market interest and inflation rates and will therefore be subject to change. The group has used a third party expert to assist with valuing such instruments.

## 3ED Holdings Limited

### Notes to the Financial Statements for the Period Ended 31 March 2016 (continued)

#### 3 Critical accounting judgements and estimation uncertainty (continued)

##### Taxation

The assessment of the tax charge may include uncertain tax positions where the tax treatment has not yet been agreed with the taxation authorities. Management make an estimate of the taxation charge for the period and the value of balances, with reference to legislation, discussions with taxation authorities, advice from taxation advisors, and the determination of similar taxation cases.

Deferred tax is recognised at tax rates that are expected to be applicable when the timing differences reverse, to the extent that such rates have been substantially enacted. Given the phased reduction in future tax rates in the UK, the deferred tax asset or liability recognised is therefore dependent upon an estimate of the timing of such reversals.

#### 4 Turnover

The group has been engaged solely in continuing activities in a single class of business within the United Kingdom.

#### 5 Operating profit

The group had no employees, other than the directors, during the period (year ended 30 September 2014: none). The emoluments of the directors are paid by the controlling parties. The directors' services to this company and to a number of fellow group companies are primarily of a non executive nature and their emoluments are deemed to be wholly attributable to the controlling parties. The controlling parties charged £228,000 (year ended 30 September 2014: £149,000) to the group in respect of these services.

The audit fee in respect of the group was £14,000 for the period (year ended 30 September 2014: £14,000). Fees payable to the auditors for non-audit services were £2,000 (year ended 30 September 2014: £24,000). The audit fee in respect of the company was £2,000 (year ended 30 September 2014: £2,000) and has been paid on the company's behalf by a group undertaking for which no recharge has been made (year ended 30 September 2014: £nil).

#### 6 Interest receivable and similar income

<i>Group</i>	<b>1 October 2014 to 31 March 2016 £000</b>	<b>Year ended 30 September 2014 £000</b>
Imputed interest receivable on finance debtor	23,386	16,406
Interest income on bank deposits	217	116
	<u>23,603</u>	<u>16,522</u>

## 3ED Holdings Limited

### Notes to the Financial Statements for the Period Ended 31 March 2016 (continued)

#### 7 Interest payable and similar charges

	1 October 2014 to 31 March 2016 £000	Year ended 30 September 2014 £000
<i>Group</i>		
Interest on bank borrowings	3,778	2,596
Interest rate swap costs	15,820	11,416
Other finance costs	46	-
Interest payable on subordinated loans	3,818	2,635
	<u>23,462</u>	<u>16,647</u>

#### 8 Taxation

##### (a) Tax expense included in profit or loss:

	1 October 2014 to 31 March 2016 £000	Year ended 30 September 2014 £000
<i>Group</i>		
<b>Current tax</b>		
UK corporation tax	4,217	2,586
UK corporation tax adjustment to prior periods	(50)	(6)
	<u>4,167</u>	<u>2,580</u>
<b>Deferred tax</b>		
Arising from origination and reversal of timing differences	(1,105)	(978)
Arising from changes in tax rates and laws	(1,915)	89
Adjustment in respect of prior periods	(5,679)	39
Total deferred taxation	<u>(8,699)</u>	<u>(850)</u>
Tax on profit on ordinary activities	<u>(4,532)</u>	<u>1,730</u>

##### (b) Tax relating to items recognised in other comprehensive income or equity

	1 October 2014 to 31 March 2016 £000	Year ended 30 September 2014 £000
<i>Group</i>		
<b>Deferred tax</b>		
Arising from origination and reversal of timing differences	449	(1,325)
Arising from changes in tax rates and laws	1,273	-
Total tax expense/(income) included in other comprehensive income	<u>1,722</u>	<u>(1,325)</u>

## 3ED Holdings Limited

### Notes to the Financial Statements for the Period Ended 31 March 2016 (continued)

#### (c) Reconciliation of tax charge

The tax on profit before tax for the period is lower than the standard rate of corporation tax in the UK (year ended 30 September 2014: higher than the standard rate of corporation tax in the UK) of 20.33% (year ended 30 September 2014: 22%).

The differences are reconciled below:

<i>Group</i>	<b>1 October 2014 to 31 March 2016 £000</b>	<b>Year ended 30 September 2014 £000</b>
Profit before tax	7,448	4,356
Corporation tax at standard rate	1,514	958
Income not subject to tax	-	(32)
Expenses not deductible for tax purposes	1,452	777
Adjustments to tax charge in respect of prior years	(5,729)	33
Remeasurement of deferred tax – change in UK tax rate	(1,772)	(6)
Other permanent differences	3	-
Total tax (credit)/charge	(4,532)	1,730

#### (d) Tax rate changes

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015.

As the change to 17% had not been substantively enacted at the balance sheet date its effects are not included in these financial statements. The overall effect of that change, if it had applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax liability by an additional £284,000.

#### 9 Profit attributable to members of parent undertaking

The profit dealt with in the financial statements of the parent undertaking is £56,000 (year ended 30 September 2014: £nil).

#### 10 Investments

<i>Company</i>	<b>31 March 2016 £000</b>	<b>30 September 2014 £000</b>
Investment in subsidiaries and related undertakings	1	1

A full list of subsidiaries and related undertakings is shown in note 22.

## 3ED Holdings Limited

### Notes to the Financial Statements for the Period Ended 31 March 2016 (continued)

#### 11 Debtors: Amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	31 March 2016 £000	30 September 2014 £000	31 March 2016 £000	30 September 2014 £000
Trade debtors	5,225	5,763	-	-
Finance debtor	9,716	9,871	-	-
Prepayments and accrued income	752	1,126	-	-
	<u>15,693</u>	<u>16,760</u>	<u>-</u>	<u>-</u>

#### 12 Debtors: Amounts falling due after more than one year

	<i>Group</i>		<i>Company</i>	
	31 March 2016 £000	30 September 2014 £000	31 March 2016 £000	30 September 2014 £000
Finance debtor	190,023	204,751	-	-
Amounts owed by group undertakings	-	-	20	20
	<u>190,023</u>	<u>204,751</u>	<u>20</u>	<u>20</u>

#### 13 Creditors

		<i>Group</i>		<i>Company</i>	
	Note	31 March 2016 £000	30 September 2014 £000	31 March 2016 £000	30 September 2014 £000
<b>Due within one year</b>					
Senior debt	14	13,152	11,098	-	-
Subordinated debt	14	418	1,686	-	-
Trade creditors		1,621	1,847	-	-
Other taxation and social security		1,034	769	-	-
Accruals and deferred income		1,863	3,985	-	-
Corporation tax	8	2,552	1,072	-	-
		<u>20,640</u>	<u>20,457</u>	<u>-</u>	<u>-</u>



## 3ED Holdings Limited

### Notes to the Financial Statements for the Period Ended 31 March 2016 (continued)

#### 13 Creditors (continued)

		<i>Group</i>		<i>Company</i>	
		31 March 2016 £000	30 September 2014 £000	31 March 2016 £000	30 September 2014 £000
Note					
<b>Due after one year</b>					
Senior debt	14	159,116	178,248	-	-
Subordinated debt	14	18,896	19,283	-	-
Amounts owed to group undertakings		-	-	1	1
Derivative financial instruments	16	61,183	63,675	-	-
		<u>239,195</u>	<u>261,206</u>	<u>1</u>	<u>1</u>

#### 14 Loans and borrowings

		31 March 2016 £000	30 September 2014 £000
<i>Group</i>			
<b>Loans and borrowings falling due within one year</b>			
Senior debt		13,152	11,098
Subordinated debt		418	1,686
		<u>13,570</u>	<u>12,784</u>
		31 March 2016 £000	30 September 2014 £000
<i>Group</i>			
<b>Loans and borrowings falling due between one and five years</b>			
Senior debt		47,936	53,370
Subordinated debt		2,064	2,609
		<u>50,000</u>	<u>55,979</u>
		31 March 2016 £000	30 September 2014 £000
<i>Group</i>			
<b>Loans and borrowings falling due after more than five years</b>			
Senior debt		111,180	124,878
Subordinated debt		16,832	16,674
		<u>128,012</u>	<u>141,552</u>

## 3ED Holdings Limited

### Notes to the Financial Statements for the Period Ended 31 March 2016 (continued)

#### 14 Loans and borrowings (continued)

The senior debt, assigned to Bank of Scotland Plc as security trustee via Scots Law, is repayable in six-monthly instalments by December 2029. The senior debt is secured by a debenture/first ranking fixed and floating charge, assignment of all project documents, first ranking equitable charge over shares and direct agreements granting step in rights under the project agreement. The loans accrue interest at LIBOR plus a margin on a quarterly basis.

The £16,750,000 series 'A' senior subordinated loan notes and £16,750,000 series 'B' junior subordinated loan notes are repayable in instalments, as cash flows permit, commencing in September 2004 until September 2022 and September 2030 respectively. These loan notes are subordinated to the right of payment of senior debt providers with an interest rate fixed at 10% and 13.25% per annum respectively.

#### 15 Provisions for liabilities

<i>Group</i>	<b>Deferred tax £000</b>
At 1 October 2014	12,097
Credit to profit or loss	(8,699)
Charge to other comprehensive income	1,722
At March 2016	<u>5,120</u>

The provision for deferred tax consists of the following deferred tax liabilities/(assets):

<i>Group</i>	<b>31 March 2016 £000</b>	<b>30 September 2014 £000</b>
Accelerated capital allowances	13,740	26,809
Other timing differences	2,393	(1,977)
Fair value movements on financial instruments	(11,013)	(12,735)
	<u>5,120</u>	<u>12,097</u>

The net deferred tax liability expected to reverse in the next 12 months is £774,000. This primarily relates to the reversal of timing differences on capital allowances.

## 3ED Holdings Limited

### Notes to the Financial Statements for the Period Ended 31 March 2016 (continued)

#### 16 Financial instruments

The group had the following financial instruments:

<i>Group</i>	Note	31 March 2016 £000	30 September 2014 £000
Financial assets at fair value through profit or loss		-	-
Financial assets that are debt instruments measured at amortised cost			
- Trade debtors	11	5,225	5,763
- Finance debtor	11, 12	199,739	214,622
		<u>204,964</u>	<u>220,385</u>
Financial assets that are equity instruments measured at cost less impairment		-	-
Financial liabilities measured at fair value through profit or loss			
- Derivative financial instruments	16	(61,183)	(63,675)
Financial liabilities measured at amortised cost			
- Senior debt	13	(172,268)	(189,346)
- Subordinated debt	13	(19,314)	(20,969)
- Trade creditors	13	(1,621)	(1,847)
- Accruals	13	(1,823)	(2,449)
		<u>(195,026)</u>	<u>(214,611)</u>

#### Fair value of derivatives used for hedging in the Consolidated Balance Sheet

<i>Group</i>	31 March 2016 £000	30 September 2014 £000
Creditors: due after one year – Fair value of swaps	(61,183)	(63,675)
Net fair value of swaps in the Balance Sheet	<u>(61,183)</u>	<u>(63,675)</u>

#### Movement in fair value of derivatives used for hedging

<i>Group</i>	31 March 2016 £000	30 September 2014 £000
Recognised through Other Comprehensive Income	2,492	(6,622)
	<u>2,492</u>	<u>(6,622)</u>

The group has entered into two interest rate swaps to receive interest at LIBOR and pay interest at a fixed weighted average rate of 6.1%. The swaps are based on an original principal amount of £257,800,000, which reduces in line with the principal amount of the group's sterling senior loan facilities, and matures in 2029 on the same date as the senior loans.

## 3ED Holdings Limited

### Notes to the Financial Statements for the Period Ended 31 March 2016 (continued)

#### 16 Financial instruments (continued)

The instruments are used to hedge the group's exposure to interest rate movements on the senior loan facilities. The hedging arrangement fixes the total interest payable on the senior loan to 6.1% plus a weighted average margin of 0.5%. The fair value of the interest rate swaps are £61,183,000 (30 September 2014: £63,675,000)

Cash flows on the loans and one of the interest rate swaps are paid quarterly and on the second interest rate swap is paid semi-annually until 2029. During the period ended 31 March 2016, a hedging loss of £13,328,000 (year ended 30 September 2014: £18,039,000 loss) was recognised in other comprehensive income for changes in the fair value of the interest rate swaps and £15,820,000 (year ended 30 September 2014: £11,417,000) was reclassified from the hedge reserve to profit and loss within interest payable.

#### 17 Share capital

##### Allotted, called up and fully paid

<i>Group and Company</i>	<i>31 March 2016</i>		<i>30 September 2014</i>	
	No. 000	£000	No.	£000
Ordinary shares of £1 each	20	20	20	20

#### 18 Dividends

<i>Group and Company</i>	<b>31 March 2016 £000</b>	<b>30 September 2014 £000</b>
Dividends paid of £2.80 (year ended 30 September 2014: £nil) per ordinary share	56	-

#### 19 Notes to the cash flow statement

<i>Group</i>	<b>1 October 2014 to 31 March 2016 £000</b>	<b>Year ended 30 September 2014 £000</b>
<b>Profit for the financial period</b>	11,980	2,626
Adjustments for:		
Tax on profit on ordinary activities	(4,532)	1730
Net interest (income)/expense	(141)	125
<b>Operating profit</b>	7,307	4,481
Net movement in finance debtor	14,883	8,634
Working capital movements		
- Decrease/(increase) in debtors	912	(456)
- Decrease in creditors	(2,154)	(266)
<b>Cash flow from operating activities</b>	20,948	12,393

## 3ED Holdings Limited

### Notes to the Financial Statements for the Period Ended 31 March 2016 (continued)

#### 19 Notes to the cash flow statement (continued)

##### Analysis of changes in net debt

<i>Group</i>	<b>At 1 October 2014 £000</b>	<b>Cash flows £000</b>	<b>Non-cash changes £000</b>	<b>At 31 March 2016 £000</b>
Cash at bank and in hand	20,721	(316)	-	20,405
<b>Cash and cash equivalents</b>	20,721	(316)	-	20,405
Senior loans	(189,346)	17,831	(753)	(172,268)
Subordinated loans	(20,969)	1,655	-	(19,314)
Derivative financial instruments	(63,675)	15,820	(13,328)	(61,183)
<b>Total</b>	<b>(253,269)</b>	<b>34,990</b>	<b>(14,081)</b>	<b>(232,360)</b>

Non-cash movements represent debt issue cost adjustments and adjustments to fair value of derivative financial instruments.

#### 20 Related party transactions

During the period, the group purchased services in the normal course of business from the shareholders of 3ED Holdings Limited, the ultimate parent undertaking, in the following amounts:

##### **Semperian PPP Investment Partners No.2 Limited**

During the period, the group purchased services and loan interest and fees payable to Semperian PPP Investment Partners No.2 Limited for £1,545,000 (year ended 30 September 2014: £1,064,000). The group also repaid subordinated debt of £513,000 (year ended 30 September 2014: £110,000). At the balance sheet date the amount due was £6,451,000 (30 September 2014: £6,533,000).

##### **Laing Investment Management Services Limited**

During the period, the group purchased services and fees payable to Laing Investment Management Services Limited for £46,000 (year ended 30 September 2014: £22,000). At the balance sheet date the amount due was £26,000 (30 September 2014: £nil).

##### **JLIF (GP) Limited**

During the period, the group purchased services and loan interest and fees payable to JLIF (GP) Limited for £764,000 (year ended 30 September 2014: £543,000). The group also repaid subordinated debt of £331,000 (year ended 30 September 2014: £71,000). At the balance sheet date the amount due was £4,125,000 (30 September 2014: £4,194,000).

##### **Aberdeen Infrastructure (No.3) Limited (formerly BOS Infrastructure (No.3) Limited)**

Aberdeen Infrastructure (No.3) Limited was a related party of HBos plc until 25 September 2014. In the prior year the group incurred loan interest and fees payable to related parties of HBos plc, relating to a syndicated loan for which HBos plc acts as agent, of £13,389,000 and also repaid senior debt of £5,748,000. At 30 September 2014 the amount due to related parties of HBos plc, relating to a syndicated loan for which HBos plc acts as agent, was £127,418,000.

During the period, the group purchased services and loan interest and fees payable to Aberdeen Infrastructure (No.3) Limited for £1,983,000 (year ended 30 September 2014: £1,420,000). The group also repaid subordinated debt of £811,000 (year ended 30 September 2014: £175,000). At the balance sheet date the amount due was £10,145,000 (30 September 2014: £10,275,000).

## 3ED Holdings Limited

### Notes to the Financial Statements for the Period Ended 31 March 2016 (continued)

#### 20 Related party transactions (continued)

The group has taken advantage of the exemption under FRS 102 paragraph 33.1A from disclosing transactions with related parties that are part of the 3ED Holdings Limited group.

#### 21 Parent and ultimate parent undertaking

3ED Holdings Limited is ultimately owned by the 3ED consortium which consists of JLIF (GP) Limited, Aberdeen Infrastructure (No.3) Limited (formerly BOS Infrastructure (No.3) Limited), and Semperian PPP Investment Partners No.2 Limited.

In the directors' opinion there is no ultimate controlling party.

These are the smallest and largest group accounts that are prepared of which the company is a member. No other group accounts are prepared. Copies of the financial statements of 3ED Holdings Limited are available from the Registrar of Companies, Companies House, 4th Floor Edinburgh Quay 2, 139 Fountainbridge, Edinburgh EH3 9FF.

#### 22 Subsidiary and related undertakings

The company holds investments in the following undertakings incorporated in Scotland:

Subsidiary and related undertakings	Activities	Percentage of ordinary shares held
3ED Holdings 2 Limited (direct)	Holding company	100%
3ED Sisterco Limited (indirect)	Financing company	100%
3ED Glasgow Limited (indirect)	Provision of schools in the Glasgow area under the Private Finance Initiative	100%

The principal activity of the subsidiary company, 3ED Holdings 2 Limited, is a parent undertaking for 3ED Glasgow Limited, a company whose principal activity is the design, construction and refurbishment and lifecycle maintenance, and facilities management services to schools in the Glasgow area, and 3ED Sisterco Limited, whose principal activity is as a financing company.

#### 23 Transition to FRS 102

This is the first year that the group and company have presented their results under FRS 102. The last financial statements under the UK GAAP were for the year ended 30 September 2014. The date of transition to FRS 102 was 1 October 2013.

Set out below are the changes in accounting policies which reconcile the group's profit for the financial year ended 30 September 2014 and the total equity as at 1 October 2013 and 30 September 2014 between UK GAAP, as previously reported, and FRS102. There were no adjustments to the company balance sheet at 1 October 2013 or 30 September 2014 or the profit and loss account for the year ended 30 September 2014 on transition to FRS 102. Accordingly, no reconciliation is presented. The group's cash flow statement reflects the presentation requirements of FRS 102, which are different to those of FRS 1.

## 3ED Holdings Limited

### Notes to the Financial Statements for the Period Ended 31 March 2016 (continued)

#### 23 Transition to FRS 102 (continued)

##### Consolidated Balance Sheet at 1 October 2013

	As originally reported £000	Remeasurement/ reclassification £000	As restated £000
<b>Current assets</b>			
Debtors: Amounts falling due within one year	16,691	-	16,691
Debtors: Amounts falling due after more than one year	214,506	-	214,506
Cash at bank and in hand	19,669	-	19,669
	<u>250,866</u>	<u>-</u>	<u>250,866</u>
<b>Creditors: Amounts falling due within one year</b>	<u>(19,081)</u>	<u>-</u>	<u>(19,081)</u>
<b>Total assets less current liabilities</b>	231,785	-	231,785
<b>Creditors: Amounts falling due after more than one year</b>	(209,317)	(57,054)	(266,371)
<b>Provisions for liabilities</b>	<u>(25,682)</u>	<u>11,411</u>	<u>(14,271)</u>
<b>Net liabilities</b>	<u>(3,214)</u>	<u>(45,643)</u>	<u>(48,857)</u>
<b>Capital and reserves</b>			
Called up share capital	20	-	20
Profit and loss account	(3,234)	-	(3,234)
Cash flow hedge reserve	<u>-</u>	<u>(45,643)</u>	<u>(45,643)</u>
<b>Total equity</b>	<u>(3,214)</u>	<u>(45,643)</u>	<u>(48,857)</u>

## 3ED Holdings Limited

### Notes to the Financial Statements for the Period Ended 31 March 2016 (continued)

#### 23 Transition to FRS 102 (continued)

#### Consolidated Balance Sheet at 30 September 2014

	As originally reported £000	Remeasurement/ reclassification £000	As restated £000
<b>Current assets</b>			
Debtors: Amounts falling due within one year	16,760	-	16,760
Debtors: Amounts falling due after more than one year	204,751	-	204,751
Cash at bank and in hand	20,721	-	20,721
	<u>242,232</u>	<u>-</u>	<u>242,232</u>
<b>Creditors: Amounts falling due within one year</b>	<u>(20,457)</u>	<u>-</u>	<u>(20,457)</u>
<b>Total assets less current liabilities</b>	221,775	-	221,775
<b>Creditors: Amounts falling due after more than one year</b>	(197,531)	(63,675)	(261,206)
<b>Provisions for liabilities</b>	<u>(24,832)</u>	<u>12,735</u>	<u>(12,097)</u>
<b>Net liabilities</b>	<u>(588)</u>	<u>(50,940)</u>	<u>(51,528)</u>
<b>Capital and reserves</b>			
Called up share capital	20	-	20
Profit and loss account	(608)	-	(608)
Cash flow hedge reserve	<u>-</u>	<u>(50,940)</u>	<u>(50,940)</u>
<b>Total equity</b>	<u>(588)</u>	<u>(50,940)</u>	<u>(51,528)</u>



## 3ED Holdings Limited

### Notes to the Financial Statements for the Period Ended 31 March 2016 (continued)

#### 23 Transition to FRS102 (continued)

##### Consolidated Profit and Loss Account for the year ended 30 September 2014

	As originally reported £000	Reclassification £000	Remeasurement £000	As restated £000
Turnover	28,654	(1,169)	-	27,485
Cost of sales	(23,632)	1,169	-	(22,463)
Gross profit	5,022	-	-	5,022
Administrative expenses	(541)	-	-	(541)
Operating profit	4,481	-	-	4,481
Other interest receivable and similar income	16,522	-	-	16,522
Interest payable and similar charges	(16,647)	-	-	(16,647)
	(125)	-	-	(125)
Profit before tax	4,356	-	-	4,356
Taxation	(1,730)	-	-	(1,730)
Profit for the financial period	2,626	-	-	2,626

The Board have taken the opportunity to reclassify certain items within the Consolidated Profit and Loss Account on the basis that this better reflects the nature of the underlying transactions. The Profit and Loss Account for the year ended 30 September 2014 has been restated on a comparable basis.

Derivative financial instruments - FRS 102 requires derivative financial instruments to be recognised at fair value. Previously under UK GAAP the group did not recognise these instruments in the financial statements. The adjustments including the deferred tax thereon, are shown above.