Registration number: SC190329

3 ED Holdings Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 March 2017

3 ED Holdings Limited

Contents

3 ED Holdings Limited

Company Information

Directors	M T Smith
	A C Ritchie
	C T Solley
	N Woodburn
	C J Anderson
Company secretary	Semperian Secretariat Services Limited
Registered office	1 Atlantic Quay 1 Robertson Street Glasgow Scotland G2 8JB
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 2 Glass Wharf Bristol BS2 0FR

3 ED Holdings Limited

Strategic Report for the Year Ended 31 March 2017

The directors present their strategic report for the year ended 31 March 2017.

Principal activity
The principal activity of the company is that of a holding company for 3 ED Holdings 2 Limited and its subsidiaries 3 ED Glasgow Limited, a company whose activity is to design, construct, refurbish and provide lifecycle maintenance, and facilities management services to 29 secondary schools and 1 primary school within the Glasgow area over a 30 year period, and 3 ED Sisterco Limited whose principal activity is as a financing company.

Results and review of business
The profit for the year is set out in the consolidated profit and loss account on page 8. The directors consider the performance of the group during the year and the financial position at the end of the year, 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.

Approved by the Board on 20 JUL 2017 and signed on its behalf by:

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A C Ritchie
Director

3 ED Holdings Limited

Directors' Report for the Year Ended 31 March 2017

Registration number: SC190329

The directors present their report and the audited financial statements of the group and the company for the year ended 31 March 2017.

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 £498,000 (£24.91per ordinary share) was paid during the year (period ended 31 March 2016: £56,000, £2.80 per ordinary share).

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 3 ED Holdings 2 Limited. This risk is directly related to the performance of 3 ED Holdings 2 Limited and its subsidiaries, 3 ED Glasgow Limited and 3 ED Sisterco Limited.

Interest rate risk

The senior debt interest has been fixed through the use of fixed funding rates, plus a margin, as set out in note 13.

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 year were as follows:

M T Smith

A C Ritchie

C T Solley

K A McLellan (resigned 1 April 2017)

S McInnes (resigned 31 October 2016)

N Woodburn (appointed 31 October 2016)

The following director was appointed after the year end:

C J Anderson (appointed 1 April 2017)

Statement of directors' responsibilities

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

Under company law the directors must not approve the 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 UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the 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 transactions and 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 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.

Reappointment of auditors

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

Approved by the Board on 20 JUL 2017 and signed on its behalf by:

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A C Ritchie

Director

3 ED Holdings Limited

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

Report on the financial statements

Our opinion

In our opinion, 3 ED 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 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

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

- the Consolidated and Company Balance Sheets as at 31 March 2017;
- the Consolidated Profit and Loss Account and Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated and Company Statement of Changes in Equity for the year then ended;
- the Consolidated Statement of Cash Flows for the year 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, based on the work undertaken in the course of the 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 addition, in light of the knowledge and understanding of the group and the company and the group's environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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

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.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities 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.

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

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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

N. Muzzlewhite

Nick Muzzlewhite (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

Date: 27/7/17

3 ED Holdings Limited

Consolidated Profit and Loss Account for the Year Ended 31 March 2017

	Note	Year ended 31 March 2017 £ 000	1 October 2014 to 31 March 2016 £ 000
Turnover	4	29,959	42,077
Cost of sales		(24,441)	(34,150)
Gross profit		5,518	7,927
Administrative expenses		(407)	(620)
Operating profit	5	5,111	7,307
Interest receivable and similar income	6	14,789	23,603
Interest payable and similar charges	7	(14,707)	(23,462)
Profit on ordinary activities before taxation		5,193	7,448
Tax on profit on ordinary activities	8	(1,246)	4,532
Profit for the financial period		3,947	11,980

The above results were derived from continuing operations.

Consolidated Statement of Comprehensive Income for the Year Ended 31 March 2017

	Note	Year ended 31 March 2017 £ 000	1 October 2014 to 31 March 2016 £ 000
Profit for the financial period		3,947	11,980
Other comprehensive income:			
Change in value of hedging instrument	19	(5,035)	(13,328)
Reclassifications to profit and loss	19	9,834	15,820
Deferred tax arising on unrealised movements on cash flow hedges	8	(1,427)	(1,722)
Other comprehensive income for the period, net of tax		3,372	770
Total comprehensive income for the period		7,319	12,750

The notes on pages 14 to 30 form an integral part of these financial statements.

3 ED Holdings Limited

Consolidated Balance Sheet as at 31 March 2017

	Note	31 March 2017 £ 000	31 March 2016 £ 000
Current assets			
Debtors: Amounts falling due after more than one year	10	178,923	190,023
Debtors: Amounts falling due within one year	11	17,400	15,693
Cash at bank and in hand		17,827	20,405
		214,150	226,121
Creditors: Amounts falling due within one year	12	(20,198)	(20,640)
Total assets less current liabilities		193,952	205,481
Creditors: Amounts falling due after more than one year	12	(220,975)	(239,195)
Provisions for liabilities	14	(4,990)	(5,120)
Net liabilities		(32,013)	(38,834)
Capital and reserves			
Called up share capital	15	20	20
Cash flow hedge reserve		(46,798)	(50,170)
Profit and loss account		14,765	11,316
Total equity		(32,013)	(38,834)

Approved and authorised by the Board on 20 JUL 2017 and signed on its behalf by:

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A C Ritchie

Director

The notes on pages 14 to 30 form an integral part of these financial statements.

3 ED Holdings Limited

Company Balance Sheet as at 31 March 2017

	Note	31 March 2017 £ 000	31 March 2016 £ 000
Fixed assets			
Investments	9	1	1
Current assets			
Debtors: Amounts falling due after more than one year	10	20	20
Total assets less current liabilities		21	21
Creditors: Amounts falling due after more than one year	12	(1)	(1)
Net assets		20	20
Capital and reserves			
Called up share capital	15	20	20
Profit and loss account		-	-
Total equity		20	20

Approved and authorised by the Board on 20 JUL 2017 and signed on its behalf by:

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A C Ritchie

Director

The notes on pages 14 to 30 form an integral part of these financial statements.

3 ED Holdings Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 March 2017

	Note	Called up Share capital £ 000	Cash flow hedge reserve £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 October 2014		20	(50,940)	(608)	(51,528)
Profit for the financial period		-	-	11,980	11,980
Other comprehensive income		-	770	-	770
Total comprehensive income		-	770	11,980	12,750
Dividends	16	-	-	(56)	(56)
At 31 March 2016		20	(50,170)	11,316	(38,834)

	Note	Called up Share capital £ 000	Cash flow hedge reserve £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 April 2016		20	(50,170)	11,316	(38,834)
Profit for the financial year		-	-	3,947	3,947
Other comprehensive income		-	3,372	-	3,372
Total comprehensive income		-	3,372	3,947	7,319
Dividends	16	-	-	(498)	(498)
At 31 March 2017		20	(46,798)	14,765	(32,013)

The notes on pages 14 to 30 form an integral part of these financial statements.

3 ED Holdings Limited

Company Statement of Changes in Equity for the Year Ended 31 March 2017

	Note	Called up Share capital £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 October 2014		20	-	20
Profit for the financial period		-	56	56
Total comprehensive income		-	56	56
Dividends	16	-	(56)	(56)
At 31 March 2016		20	-	20

	Note	Called up Share capital £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 April 2016		20	-	20
Profit for the financial year		-	498	498
Total comprehensive income		-	498	498
Dividends	16	-	(498)	(498)
At 31 March 2017		20	-	20

The notes on pages 14 to 30 form an integral part of these financial statements.

3 ED Holdings Limited

Consolidated Statement of Cash Flows for the Year Ended 31 March 2017

	Note	Year ended 31 March 2017	1 October 2014 to 31 March 2016
		£ 000	£ 000
Net cash from operating activites	17	15,188	20,948
Taxation paid		(4,660)	(2,687)
Net cash generated from operating activities		10,528	18,261
Cash flows from investing activities			
Interest received		14,789	23,603
Net cash generated from investing activities		14,789	23,603
Cash flows from financing activities			
Repayment of senior debt		(13,682)	(17,831)
Repayment of subordinated debt		(482)	(1,655)
Dividends paid to the owners of the parent		(498)	(56)
Interest paid		(13,233)	(22,638)
Net cash used in financing activities		(27,895)	(42,180)
Net decrease in cash and cash equivalents		(2,578)	(316)
Cash and cash equivalents at the beginning of the period		20,405	20,721
Cash and cash equivalents at the end of the period		17,827	20,405

The notes on pages 14 to 30 form an integral part of these financial statements.

1 General information

The principal activity of the company is that of a holding company for 3 ED Holdings 2 Limited and its subsidiaries 3 ED Glasgow Limited, a company whose activity is to design, construct, refurbish and provide lifecycle maintenance, and facilities management services to 29 secondary schools and 1 primary school within the Glasgow area over a 30 year period, and 3 ED Sisterco Limited whose principal activity is as a financing company.

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
Scotland
G2 8JB

The 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.

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' 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 company 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.

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

Basis of consolidation
The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 March 2017. The results of subsidiaries acquired or disposed of are consolidated from the effective date of acquisition or up to the effective date of disposal, as appropriate. The company has no associates or joint ventures.

2 Accounting policies (continued)

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.

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 and interest receivable

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 may also include 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.

2 Accounting policies (continued)

Tax

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 group operates and generates taxable income.

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.

Investments

Investments in equity and subordinated loan notes are held as fixed assets and are stated at cost less an appropriate provision to reflect any impairment in the value of the investments. Premiums and discounts on subordinated loan note investments have been amortised over the life of the loan to give a constant effective finance rate. Repayments of loans have been disclosed as disposals of fixed asset investments. Any other impairment of fixed assets is reflected as impairment charges. Where an equity investment has fixed return the premium paid for the equity has been amortised in proportion to the actual dividends to total dividends.

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 and company have 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.

2 Accounting policies (continued)

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.

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.

2 Accounting policies (continued)

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 group's and 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 group's and the company's shareholders. These amounts are recognised in the statement of changes in equity.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The exemptions which the company has taken are:

(i) the requirement to prepare 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) certain financial instrument disclosures as the information is included 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's and the company's accounting policies are described below:

3 Critical accounting judgements and estimation uncertainty (continued)

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 10 and 11 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.

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 year (period ended 31 March 2016: 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 £155,000 (period ended 31 March 2016: £228,000) to the group in respect of these services.

The audit fee in respect of the group was £15,000 for the year (period ended 31 March 2016: £14,000). The audit fee in respect of the company of £2,000 (period ended 31 March 2016: £2,000) has been paid by a group undertaking, for which no recharge has been made (period ended 31 March 2016: £nil).

6 Interest receivable and similar income

	Group	
	Year ended 31 March 2017 £ 000	1 October 2014 to 31 March 2016 £ 000
Imputed interest receivable on finance debtor	14,669	23,386
Interest income on bank deposits	120	217
	14,789	23,603

7 Interest payable and similar charges

	Group	
	Year ended 31 March 2017 £ 000	1 October 2014 to 31 March 2016 £ 000
Interest on bank borrowings	2,252	3,778
Interest rate swap costs	9,834	15,820
Interest expense on CTSA	93	-
Other finance costs	30	46
Interest payable on subordinated loans	2,498	3,818
	14,707	23,462

8 Tax on profit on ordinary activities

(a) Tax expense/(credit) included in profit or loss

	Group	
	Year ended 31 March 2017 £ 000	1 October 2014 to 31 March 2016 £ 000
Current taxation		
UK corporation tax	2,823	4,217
UK corporation tax adjustment to prior periods	(20)	(50)
	2,803	4,167
Deferred taxation		
Arising from origination and reversal of timing differences	(731)	(1,105)
Arising from changes in tax rates and laws	(900)	(1,915)
Adjustment in respect of prior periods	74	(5,679)
Total deferred taxation	(1,557)	(8,699)
Tax on profit on ordinary activities	1,246	(4,532)

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

	Group	
	Year ended 31 March 2017 £ 000	1 October 2014 to 31 March 2016 £ 000
Deferred tax		
Arising from origination and reversal of timing differences	816	449
Arising from changes in tax rates and laws	611	1,273
Total tax expense included in other comprehensive income	1,427	1,722

8 Taxation (continued)

(c) Reconciliation of tax charge/(credit)

The tax on profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK (period ended 31 March 2016: lower than the standard rate of corporation tax in the UK) of 20% (period ended 31 March 2016: 20.33%).

The differences are reconciled below:

	Group	
	Year ended 31 March 2017 £ 000	1 October 2014 to 31 March 2016 £ 000
Profit on ordinary activities before taxation	5,193	7,448
Corporation tax at standard rate	1,038	1,514
Expenses not deductible for tax purposes	926	1,452
Adjustments to tax charge in respect of prior years	54	(5,729)
Re-measurement of deferred tax - change in UK tax rates	(772)	(1,772)
Other permanent differences	-	3
Total tax charge/(credit)	1,246	(4,532)

(d) Tax rate changes

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

9 Investments

	Company	
	31 March 2017 £ 000	31 March 2016 £ 000
Investments in subsidiaries	1	1

A full list of subsidiaries and related undertakings is shown in note 21.

10 Debtors: Amounts falling due after more than one year

	Group		Company	
	31 March 2017 £ 000	31 March 2016 £ 000	31 March 2017 £ 000	31 March 2016 £ 000
Finance debtor	178,923	190,023	-	-
Amounts owed by group undertakings	-	-	20	20
	178,923	190,023	20	20

11 Debtors: Amounts falling due within one year

	Group		Company	
	31 March 2017 £ 000	31 March 2016 £ 000	31 March 2017 £ 000	31 March 2016 £ 000
Trade debtors	5,459	5,225	-	-
Finance debtor	11,171	9,716	-	-
Prepayments and accrued income	770	752	-	-
	17,400	15,693	-	-

12 Creditors

		Group		Company	
	Note	31 March 2017 £ 000	31 March 2016 £ 000	31 March 2017 £ 000	31 March 2016 £ 000
Amounts falling due within one year					
Senior debt	13	13,282	13,152	-	-
Subordinated debt	13	75	418	-	-
Trade creditors		1,920	1,621	-	-
Other taxation and social security		1,342	1,034	-	-
Accruals and deferred income		2,884	1,863	-	-
Corporation tax		695	2,552	-	-
		20,198	20,640	-	-

12 Creditors (continued)

		Group		Company	
	Note	31 March 2017 £ 000	31 March 2016 £ 000	31 March 2017 £ 000	31 March 2016 £ 000
Amounts falling due after more than one year					
Senior debt	13	145,834	159,116	-	-
Subordinated debt	13	18,757	18,896	-	-
Amounts owed to group undertakings		-	-	1	1
Derivative financial instruments	19	56,384	61,183	-	-
		220,975	239,195	1	1

13 Loans and borrowings

	Group	
	31 March 2017 £ 000	31 March 2016 £ 000
Loans and borrowings falling due within one year		
Senior debt	13,282	13,152
Subordinated debt	75	418
	13,357	13,570

	Group	
	31 March 2017 £ 000	31 March 2016 £ 000
Loans and borrowings falling due between one and five years		
Senior debt	43,150	47,936
Subordinated debt	2,403	2,064
	45,553	50,000

	Group	
	31 March 2017 £ 000	31 March 2016 £ 000
Loans and borrowings falling due after more than five years		
Senior debt	102,684	111,180
Subordinated debt	16,354	16,832
	119,038	128,012

13 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.

14 Provisions for liabilities

	Group Deferred tax £ 000
At 1 April 2016	5,120
Reductions dealt with in profit or loss	(1,557)
Additions dealt with in other comprehensive income	1,427
At 31 March 2017	4,990

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

	Group	
	31 March 2017 £ 000	31 March 2016 £ 000
Accelerated capital allowances	12,404	13,740
Other timing differences	2,180	2,393
Tax losses recognised	(9)	-
Fair value of financial instruments	(9,585)	(11,013)
	4,990	5,120

The net deferred tax liability expected to reverse in the next 12 months is £854,000. This primarily relates to the reversal of timing differences on capital allowances.

15 Share capital

Allotted, called up and fully paid shares

	31 March 2017		31 March 2016	
	No. 000	**£ 000**	**No. 000**	**£ 000**
Ordinary shares of £1 each	20	20	20	20

16 Dividends

	31 March 2017 £ 000	31 March 2016 £ 000
Dividends paid - £24.91 (period ended 31 March 2016: £2.80) per ordinary share	498	56

17 Notes to the cash flow statement

	Group	
	Year ended 31 March 2017	**1 October 2014 to 31 March 2016**
	£ 000	**£ 000**
Profit for the financial period	3,947	11,980
Adjustments for:		
- Tax on profit on ordinary activities	1,246	(4,532)
- Net interest income	(82)	(141)
Operating profit	5,111	7,307
Net movement in finance debtor	9,645	14,883
Working capital movements:		
- (Increase)/decrease in debtors	(252)	912
- Increase/(decrease) in creditors	684	(2,154)
Cash flow from operating activities	15,188	20,948

17 Notes to the cash flow statement (continued)

Analysis of changes in net debt

	Group			
	At 1 April 2016	Cash flows	Non-cash changes	At 31 March 2017
	£ 000	£ 000	£ 000	£ 000
Cash at bank and in hand	20,405	(2,578)	-	17,827
Cash and cash equivalents	20,405	(2,578)	-	17,827
Senior debt	(172,268)	13,682	(530)	(159,116)
Subordinated debt	(19,314)	482	-	(18,832)
Derivative financial instruments	(61,183)	9,834	(5,035)	(56,384)
Total	(232,360)	21,420	(5,565)	(216,505)

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

18 Related party transactions

Group

The following information is provided in accordance with FRS 102 - paragraph 33.9 as being transactions with related parties for the year. The group purchased services in the normal course of business from the shareholders of 3 ED Holdings Limited, the ultimate parent undertaking, in the following amounts:

Semperian PPP Investment Partners No.2 Limited

During the year, the group purchased services and loan interest and fees payable to Semperian PPP Investment Partners No.2 Limited for £1,019,000 (period ended 31 March 2016: £1,545,000). The group also repaid subordinated debt of £150,000 (period ended 31 March 2016: £513,000). At the balance sheet date the amount due was £6,640,000 (31 March 2016: £6,451,000).

Laing Investment Management Services Limited

During the year, the group purchased services and fees payable to Laing Investment Management Services Limited for £31,000 (period ended 31 March 2016: £46,000). At the balance sheet date the amount due was £54,000 (31 March 2016: £26,000).

JLIF (GP) Limited

During the year, the group purchased services and loan interest and fees payable to JLIF (GP) Limited for £500,000 (period ended 31 March 2016: £764,000). The group also repaid subordinated debt of £96,000 (period ended 31 March 2016: £331,000). At the balance sheet date the amount due was £4,222,000 (31 March 2016: £4,125,000).

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

During the year, the group purchased services and loan interest and fees payable to Aberdeen Infrastructure (No.3) Limited for £1,300,000 (period ended 31 March 2016: £1,983,000). The group also repaid subordinated debt of £236,000 (period ended 31 March 2016: £811,000). At the balance sheet date the amount due was £10,457,000 (31 March 2016: £10,145,000).

18 Related party transactions (continued)

Company

Other than the transactions disclosed above, the company's other related party transactions were with wholly owned subsidiaries. The company has taken advantage of the exemption under FRS 102 - paragraph 33.1A of the requirement to disclose transactions between it and other group companies.

19 Financial instruments

Categorisation of financial instruments

The group had the following financial instruments:

		Group	
		31 March 2017	**31 March 2016**
	Note	**£ 000**	**£ 000**
Financial assets at fair value through profit or loss		-	-
Financial assets that are debt instruments measured at amortised cost			
- Trade debtors	11	5,459	5,225
- Finance debtor	10, 11	190,094	199,739
		195,553	204,964
Financial assets that are equity instruments measured at cost less impairment		-	-
Financial liabilities measured at fair value through profit or loss			
- Derivative financial instruments	19	(56,384)	(61,183)
Financial liabilities measured at amortised cost			
- Senior debt	12	(159,116)	(172,268)
- Subordinated debt	12	(18,832)	(19,314)
- Trade creditors	12	(1,920)	(1,621)
- Accruals	12	(2,808)	(1,823)
		(182,676)	(195,026)

19 Financial instruments (continued)

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

	Note	Group 31 March 2017 £ 000	Group 31 March 2016 £ 000
Creditors: due after one year - Fair value of swaps	12	(56,384)	(61,183)
Net Fair value of swaps in the Balance Sheet		(56,384)	(61,183)

Movement in Fair value of derivatives used for hedging

	Group Year ended 31 March 2017 £ 000	Group 1 October 2014 to 31 March 2016 £ 000
Recognised through Other Comprehensive Income	4,799	2,492
	4,799	2,492

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.

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 £56,384,000 (31 March 2016: £61,183,000).

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 2017, a hedging loss of £5,035,000 (period ended 31 March 2016: £13,328,000 loss) was recognised in other comprehensive income for changes in the fair value of the interest rate swaps and £9,834,000 (period ended 31 March 2016: £15,820,000) was reclassified from the hedge reserve to profit and loss within interest payable.

20 Parent and ultimate parent undertaking

3 ED Holdings Limited is ultimately owned by the 3 ED 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 parent entity nor ultimate controlling party.

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

21 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
3 ED Holdings 2 Limited (direct)	Holding company	100%
3 ED Sisterco Limited (indirect)	Financing company	100%
3 ED Glasgow Limited (indirect)	Provision of schools in the Glasgow area under the Private Finance Initiative	100%

The registered office for the companies shown above is: 1 Atlantic Quay, 1 Robertson Street, Glasgow, Scotland G2 8JB.