Rec.

Registered No. SC190329

3ED Holdings Limited

Report and Financial Statements

30 September 2014

Directors
MT Smith
JM Linney
AC Ritchie
CT Solley
KA McLellan

Secretary
Semperian Secretariat Services Limited

Auditors
Ernst & Young LLP
5 George Square
Glasgow G2 1DY

Bankers
Lloyds Bank Corporate Markets
Edinburgh Branch
New Uberior House
Edinburgh EH3 9BN

Registered Office
1 Atlantic Quay
1 Robertson Street
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Strategic report

The directors present their strategic report for the year ended 30 September 2014.

Principal activities and review of the business

The group was formed to design, construct, refurbish and provide lifecycle maintenance, facilities management and information technology and telecommunications services to schools within the Glasgow area over a 30 year period. Included within the project are 29 secondary schools and 1 primary school.

As at 30 September 2014 the 3ED consortium – being the shareholders of the ultimate parent undertaking 3ED Holdings Limited – is comprised of JLIF (GP) Limited, Semperian PPP Investment Partners No. 2 Limited and Aberdeen Infrastructure (No.3) Limited (formerly BOS Infrastructure (No.3) Limited).

Key performance indicators

The Facilities Management contractor is subject to deductions based on performance. In the year 2013/14 no major deductions were taken and no deductions were borne by 3ED Glasgow Limited.

Principal risks and uncertainties

The group's principal financial instruments comprise of cash and cash equivalents, bank and shareholder loans. Other financial assets such as trade creditors and debtors arise directly from the operating activities.

Interest rate risk

Interest rate risk arises on bank loans and surplus cash as the interest rates charged/received are variable. The Group maintains its bank loans at fixed interest rates by entering into swaps at the date of refinancing.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Group policies are aimed at minimising such losses by monitoring creditors and debtors on a monthly basis.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group aims to mitigate liquidity risk through the Common Terms Agreement which states that certain debt cover ratios must be maintained and reviewed every six months via a model update. If these ratios are not met for the following eight six month periods the payments on subordinated debt remain unpaid until the bank release the company from 'lock up'.

Future developments

No significant changes are expected to the groups activities in the foreseeable future.

On behalf of the Board

AC.Ritchie

Director

Date 23 March 15

Registered No. SC190329

Directors' report

The directors present their report for the year ended 30 September 2014.

Directors

The directors who served the company during the year were as follows:

MT Smith
JM Linney
AC Ritchie
CT Solley
MJM Watson (resigned 16 January 2015)
KA McLellan

Dividends and transfers to reserves

The directors do not recommend a final dividend (2013 – £nil).

Results

The group profit for the year after taxation amounted to £2,626,000 (2013 – profit of £5,929,000).

Future developments

The directors have highlighted in the strategic report on page 2 the future plans for the group.

Going concern

In line with the FRC guidance on going concern issued in November 2009, the directors have undertaken an exercise to review the appropriateness of the continued use of the going concern basis.

The group's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposure to interest rate, credit and liquidity risk are described above.

After making suitable enquires, the directors have a reasonable expectation that the company has adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis of accounting in preparing the annual financial statements.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

The auditors, Ernst & Young LLP, have signified their willingness to continue in office.

On behalf of the Board
AC. Ritchie
Director
Date 23 March 15

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of 3ED Holdings Limited

We have audited the financial statements of 3ED Holdings Limited for the year ended 30 September 2014 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets, the Group Statement of Cash Flows and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements 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 parent undertaking'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.

In addition, we read all the financial and non-financial information in the Strategic report and Directors' 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.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent undertaking's affairs as at 30 September 2014 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.

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 year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report (continued)

to the members of 3ED Holdings Limited

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

Walter Campbell (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow

27\3\2015

Group profit and loss account

for the year ended 30 September 2014

	Notes	2014 £000	2013 £000
Turnover	2	28,654	24,531
Cost of sales		(23,632)	(20,997)
Gross profit		5,022	3,534
Administrative expenses		(541)	(518)
Operating profit	3	4,481	3,016
Interest receivable and similar income	6	16,522	17,292
Interest payable and similar charges	7	(16,647)	(17,431)
Profit on ordinary activities before taxation		4,356	2,877
Tax	8	(1,730)	3,052
Profit for the financial year	16	2,626	5,929

All amounts relate to continuing activities.

Group statement of total recognised gains and losses

for the year ended 30 September 2014

There are no recognised gains or losses other than the profit attributable to the shareholders of the group of £2,626,000 in the year ended 30 September 2014 (2013 – profit of £5,929,000).

Group balance sheet

at 30 September 2014

	Notes	2014 £000	2013 £000
Current assets			
Debtors: amounts falling due after one year	11	204,751	214,506
amounts falling due within one year	11	16,760	16,691
Cash at bank and in hand		20,721	19,669
		242,232	250,866
Creditors: amounts falling due within one year	12	(20,457)	(19,081)
Net current assets		221,775	231,785
Total assets less current liabilities		221,775	231,785
Creditors: amounts falling due after more than one year	13	(197,531)	(209,317)
Provisions for liabilities			
Deferred tax	8(c)	(24,832)	(25,682)
Net liabilities		(588)	(3,214)
Capital and reserves			
Called up share capital	15	20	20
Profit and loss account	16	(608)	(3,234)
Shareholders' deficit	17	(588)	(3,214)

The financial statements were approved by the Board of Directors on 23 March 15 and were signed on its behalf by:

AC. Ritchie

Director

Company balance sheet

at 30 September 2014

	Notes	2014 £000	2013 £000
Fixed assets			
Investments	10	1	1
Current assets			
Debtors	11	19	19
Net assets		20	20
Capital and reserves			
Called up share capital	15	20	20
Profit and loss account	16	–	–
Shareholders' funds	17	20	20

The financial statements were approved by the Board of Directors on 23 March 15 and were signed on its behalf by:

Director

Group statement of cash flows

for the year ended 30 September 2014

	Notes	*2014* *£000*	*2013* *£000*
Net cash inflow from operating activities	19(a)	28,797	31,000
Returns on investments and servicing of finance			
Interest received		118	201
Interest paid		(16,676)	(16,526)
		(16,558)	(16,325)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets for use in finance debtor		-	(149)
Financing			
Repayment of long term loans		(11,187)	(10,933)
Increase in cash in the year	19(b)	1,052	3,593

Reconciliation of net cash flow to movement in net debt

	Notes	*2014* *£000*	*2013* *£000*
Increase in cash		1,052	3,593
Movement in borrowings		11,187	10,933
Movement in net debt	19(b)	12,239	14,526
Net debt at 1 October	19(b)	(209,774)	(224,300)
Net debt at 30 September	19(b)	(197,535)	(209,774)

Notes to the financial statements

at 30 September 2014

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The financial statements have been prepared on the going concern basis as the financial projections indicate that sufficient funds will be generated from the group's activities to allow ongoing obligations to be met as they fall due.

Group financial statements

The group financial statements consolidate the financial statements of 3ED Holdings Limited and all subsidiary undertakings drawn up to 30 September each year. No profit and loss account is presented for 3ED Holdings Limited as permitted by section 408 of the companies act 2006.

Turnover

Turnover represents the value of work done and services rendered, excluding sales related taxes. All turnover originates in the United Kingdom.

The company recognises income when it has fully fulfilled its contractual obligations. In accordance with FRS 5 – Application note G, the company includes sales and purchase transactions related to variations under the original contract where the benefits and risks are retained by the company, within the financial statements as turnover and operating costs.

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

Finance debtor

In accordance with FRS 5 – Application note G the costs incurred in building the Glasgow Schools have been treated as a finance debtor. This treatment arose from applying guidance with the Application Note which indicated that the project's principal agreements transfer substantially all the risks and rewards relating to the property to the customer.

The costs of bringing the assets into use have been capitalised and reclassified as a finance debtor. A constant proportion of the planned net revenue arising from the project is being 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.

Upon the asset becoming operational, the costs are transferred to the finance debtor. During the operational phase, income is allocated between interest receivable and turnover using a constant operating margin on costs. The remainder of the PFI income will be allocated to the finance debtor.

Notes to the financial statements

at 30 September 2014

1. Accounting policies (continued)

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Corporation tax

A number of changes to the UK corporation tax system were enacted in the Finance Act 2008. The impact of the changes has been recognised in these financial statements.

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties. Turnover is attributable to one continuing activity, being the provision of construction, refurbishment, facilities management and information technology services to schools.

3. Operating profit

This is stated after charging:

Group	*2014*	*2013*
	£000	*£000*
Auditors' remuneration	14	14

4. Directors' remuneration

No Directors received any remuneration for services to the company during the current or prior year. The company is managed by staff from Semperian PPP Infrastructure Management Limited.

5. Staff costs

The company had no employees during the year (2013 – nil).

6. Interest receivable and similar income

Group	*2014*	*2013*
	£000	*£000*
Interest receivable on finance debtor	16,406	17,091
Interest receivable on bank deposits	116	201
	16,522	17,292

Notes to the financial statements

at 30 September 2014

7. Interest payable and similar charges

Group	*2014*	*2013*
	£000	*£000*
Subordinated debt interest	2,635	2,244
Senior loan interest	13,537	14,706
Amortisation of debt issue costs	475	481
	16,647	17,431

8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2014	*2013*
Group	*£000*	*£000*
Current tax:		
UK corporation tax on the profit for the year	2,586	447
Adjustment in respect of prior periods	(6)	-
Total current tax (note 8(b))	2,580	447
Deferred tax:		
Origination and reversal timing differences	(978)	410
Adjustment in respect of prior periods	39	(48)
Changes in tax rates or laws	89	(3,861)
Total deferred tax (note 8(c))	(850)	(3,499)
Total tax charge on profit on ordinary activities	1,730	(3,052)

Notes to the financial statements

at 30 September 2014

8. Tax (continued)

(b) Factors affecting the current tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 22% (2013 – 23.50%). The differences are explained below:

Group	*2014* *£000*	*2013* *£000*
Profit on ordinary activities before tax	4,356	2,877
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 22% (2013 – 23.50%)	958	676
Effects of:		
Capital allowances in excess of amortisation	884	1,606
Expenses not deductible for tax purposes	776	215
Non- taxable income	(32)	-
Utilisation of tax losses	-	(2,050)
Prior year adjustment	(6)	-
Current tax for the year (note 8(a))	2,580	447

(c) Deferred tax

Group	*£000*
At 1 October 2013	25,682
Credit for the year	(889)
Adjustment in respect of prior periods	39
At 30 September 2014	24,832

The standard rate of UK corporation tax in the year changed from 23% to 21% with effect from 1 April 2014 and will change to 20% from 1 April 2015. UK deferred tax is therefore recognised at the reduced rate of 20%.

9. Profit attributable to members of parent undertaking

The profit dealt within the financial statements of the parent undertaking is £nil (2013 – £nil).

Notes to the financial statements

at 30 September 2014

10. Investments

Company	*2014*	*2013*
	£000	*£000*
At 1 October 2013 and 30 September 2014	1	1

Subsidiary undertaking	*Holding*	*Aggregate capital and reserves*	*Profit for the year to 30 September 2014*
		£000	*£000*
3ED Holdings 2 Limited	100% ordinary shares	1	1,912

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

11. Debtors

		Group		*Company*
	2014	*2013*	*2014*	*2013*
	£000	*£000*	*£000*	*£000*
Amounts falling due within one year				
Finance debtor	9,871	8,750	–	–
Trade debtors	5,763	5,252	–	–
Prepayments and accrued income	1,126	1,181	–	–
Amounts owed by group companies	-	–	19	19
Corporation tax recoverable	-	1,508	–	–
	16,760	16,691	19	19
Amounts falling due after one year				
Finance debtor	204,751	214,506	-	–

12. Creditors: amounts falling due within one year

		Group		*Company*
	2014	*2013*	*2014*	*2013*
	£000	*£000*	*£000*	*£000*
Amounts falling due within one year				
Trade creditors	1,847	2,587	–	–
Other taxes and social security costs	769	710	–	–
Corporation tax creditor	1,072	-		
Accruals	3,985	4,073	–	–
Current instalments due on bank loans:				
Senior bank loan	11,594	10,831	–	–
Shareholders loans	1,686	1,356	_	_
Less: Amortised debt issue costs	(496)	(476)	–	–
	20,457	19,081	–	–

Notes to the financial statements

at 30 September 2014

13. Creditors: amounts falling due after one year

Group	*2014*	*2013*
	£000	*£000*
Not wholly repayable within five years:		
Senior bank loan	197,286	208,117
£16,750,000 Shareholders loan "A" – 10% coupon	4,415	4,715
£16,750,000 Shareholders loan "B" – 13.25% coupon	16,555	16,611
	218,256	229,443
Less: included in creditors, amounts falling due within one year	(13,280)	(12,187)
Less: Amortised debt issue costs	(7,445)	(7,939)
	197,531	209,317
The maturity of debt is as follows:		
Within one year	13,280	12,187
In one to two years	13,582	12,224
In two to five years	44,510	42,292
Over five years	146,884	162,740
	218,256	229,443

14. Loans

Bank loans have been hedged via swaps entered into at the date of refinancing. Swaps result in 100% of outstanding Senior Debt being fixed.

All bank loans have been assigned to Bank of Scotland Plc as security trustee via Scots Law.

The bank loans are 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 £16,750,000 Shareholders loan note "A" is repayable in instalments as cashflows permit from 30 September 2004 until 30 September 2022.

The £16,750,000 Shareholders loan note "B" is repayable in instalments as cashflows permit from 30 September 2004 until 30 September 2030.

15. Issued share capital

		2014		*2013*
Allotted, called up and fully paid	*No.*	*£000*	*No.*	*£000*
Ordinary shares of £1 each	20,000	20	20,000	20

Notes to the financial statements

at 30 September 2014

16. Movements on reserves

	Profit and loss account	
	Group	*Company*
	£	*£*
At 1 October 2013	(3,234)	-
Profit for the year	2,626	-
At 30 September 2014	(608)	-

17. Reconciliation of shareholders' funds

		Group		*Company*
	2014	*2013*	*2014*	*2013*
	£000	*£000*	*£000*	*£000*
Opening shareholders' funds	(3,214)	(9,143)	20	20
Profit for the financial year	2,626	5,929	-	–
Closing shareholders' funds	(588)	(3,214)	20	20

18. Capital commitments

The Group has entered into the following other financial commitments:

- With Amey Business Services Limited to provide facilities management and maintenance services to the project schools until 30 June 2030. Payments due in the next financial year amount to £14,522,000. This amount is indexed until 1 April 2030.
- With Amey Miller Lifecycle Services Limited to provide asset maintenance and replacement services to the project schools for the duration of the contract. Payments due in the next financial year amount to £5,807,000 (approx). Over the duration of the contract payments amounting to £117,418,526 unindexed are due.

19. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2014	*2013*
	£000	*£000*
Operating profit	4,481	3,016
Allocation of unitary charge to finance debtor	(26,450)	(23,264)
Received from unitary charge	51,488	50,515
Increase in debtors	(456)	(73)
(Decrease)/increase in creditors	(266)	806
Net cash inflow from operating activities	28,797	31,000

Notes to the financial statements

at 30 September 2014

19. Notes to the statement of cash flows (continued)

(b) Analysis of net debt

	At 1 October 2013	*Cash flow*	*At 30 September 2014*
	£000	*£000*	*£000*
Cash at bank and in hand	19,669	1,052	20,721
Loans	(229,443)	11,187	(218,256)
	(209,774)	12,239	(197,535)

20. Related party transactions

During the year, 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 year, the group purchased services and loan interest and fees payable to Semperian PPP Investment Partners No.2 Limited for £1,064,000 (2013 – £974,000). The group also repaid subordinated debt of £110,000 (2013 - £nil). At the balance sheet date the amount due was £6,533,000 (2013 – £6,628,000).

Laing Investment Management Services Limited

During the year, the group purchased services and fees payable to Laing Investment Management Services Limited for £22,000 (2013 – £256,000).

JLIF (GP) Limited

During the year, the group purchased services and loan interest and fees payable to JLIF (GP) Limited for £543,000 (2013 – £555,000). The group also repaid subordinated debt of £71,000 (2013 - £nil).At the balance sheet date the amount due was £4,194,000 (2013 -£4,265,000).

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

Aberdeen Infrastructure (No.3) Limited is a related party of HBoS plc. During the year, the group incurred loan interest and fees payable to related parties of HBoS plc, some of which relates to a syndicated loan, for which HBoS plc acts as agent, for £14,809,000 (2013 – £14,416,000). The group also repaid senior debt of £5,748,000 (2013 - £6,178,000) and subordinated debt of £175,000 (2013 - £nil). At the balance sheet date the amount due to related parties of HBoS plc, some of which relates to a syndicated loan, for which HBoS plc acts as agent, was £137,693,000 (2013 – £143,616,000).

21. Ultimate parent undertaking and controlling party

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.