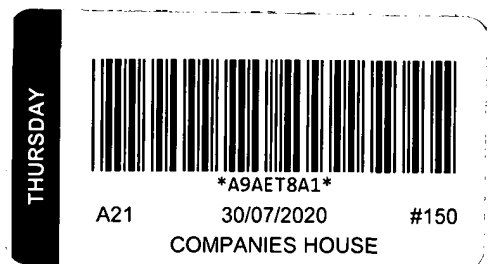


Registration number: SC190329

# 3 ED Holdings Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 March 2020



## **3 ED Holdings Limited**

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### **3 ED Holdings Limited**

#### **Company Information**

<b>Directors</b>	M T Smith A C Ritchie C T Solley K A McLellan J S Gordon R W Christie
<b>Company secretary</b>	Semperian Secretariat Services Limited
<b>Registered office</b>	1 Atlantic Quay 1 Robertson Street Glasgow Scotland G2 8JB
<b>Independent Auditors</b>	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 2020**

The directors present their strategic report for the year ended 31 March 2020.

#### **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 11. 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 company could be exposed to subcontractor failure to perform their obligations. The Board monitors the financial stability of its subcontractor and has contingency plans in place to ensure the continuity of service provision to its client, should the subcontractor become unable to perform its 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.

#### **S172 Statement**

The following disclosure describes how the Board regards the matters set out in section 172 (1) (a) to (f) and forms the Directors' statement required under section 414CZA of the Companies Act 2006.

The purpose of the group is to design, build, finance and operate 29 secondary schools and 1 primary school within the Glasgow area over a concession period of 30 years under an agreement with our client, Glasgow City Council. The group's aim is to work in partnership with our client to provide suitable accommodation and maintain that accommodation to meet relevant legislation and agreed service levels. This shapes the company's values and objectives and defines long term success. Decisions are taken in the context of working in partnership with the client and other stakeholder groups. The group has long term funding in place, as described in the Directors' Report. A set of contracts set out the relationships with the client, debt funders, maintenance and operations contractors. These parties are the group's main stakeholders. The group also works with community groups to enable both their support for the client and the full use of the accommodation asset. The environmental impact of the accommodation is considered to support statutory and other reporting. Where changes to the accommodation impact the community, these are considered with the client. Debt funders are provided with operational and financial performance reports on a quarterly basis. The operational management team work closely with the client and the maintenance and operations contractor, in order to programme lifecycle and major maintenance works to minimise disruption. The client receives regular updates on programmed works and access requests to enable those works.

### 3 ED Holdings Limited

#### Strategic Report for the Year Ended 31 March 2020 (continued)

The group does not have any employees but works with the maintenance and operations contractors to ensure that health and safety reporting is transparent, and the contractors provide a suitably skilled and sustainable workforce.

The Board of Directors is an experienced team which is appointed by the shareholders to represent their interests and ensure their instructions are considered and implemented for the long-term success of the group. The board members have experience of working with the other key stakeholders, which assists them in identifying and considering the long-term consequences of principal decisions. The board meet on a quarterly basis and reports are provided at these meetings by the operational and financial management teams. These reports will have regard to health and safety matters, the operational and financial performance of the project, planned lifecycle and major maintenance work and relationships with the client, and the main subcontractor. The operational and financial management team make recommendations to the board of directors. These recommendations and reports are considered at the board meetings and actions arising are monitored. Decisions made by the Directors that have a financial impact are accounted for in a concession length forecast of financial performance.

Principal decisions of the group are those that are key to the group's success, these include but are not limited to: decisions impacting the relationships between the parties, decisions impacting the availability and safety of the accommodation, and decisions impacting the return to the shareholders.

The principal decisions made by the Board of Directors during the year ended 31 March 2020 were:

- Lifecycle and major maintenance expenditure
- Reinstatement of mothballed areas at Hillpark Secondary School and additional shower changing facilities at Smithycroft Secondary School
- Payment of dividends


Life cycle and major maintenance expenditure is planned following asset condition surveys to maintain the accommodation at the required statutory and contractual standards. It is also to ensure the asset will meet the required contractual standards at the end of the concession. The delivery of these works is carefully planned with the maintenance and operations contractors and client, to ensure minimum disruption to the users of the accommodation and the safety of the contractor's employees.

In agreeing to the extension of the operation and maintenance contract, the Board had regard to the excellent relationship between the contractor, the group and the client. The contractor's performance to date has been considered and it was noted the contractors record and focus on health and safety met expectations.

The above decisions ensured the relationships between the parties that work together in partnership continue and the accommodation is maintained with minimum disruption to users. The safety performance of the accommodation is maintained both in terms of users and the health and safety of the contractor's staff. These decisions ensure the long-term success of the project, which protects shareholder returns.

Dividends are declared only after having had regard to the group's ability to meet its debt payments and covenant ratios both now and in the future. This ensures the stability of the group to allow it to continue providing the accommodation to its client, for use by the public.

Approved by the Board on 22 Jul 20 and signed on its behalf by:

  
A C Ritchie  
Director

## **3 ED Holdings Limited**

### **Directors' Report for the Year Ended 31 March 2020**

**Registration number: SC190329**

The directors present their report and the audited financial statements of the company and the group for the year ended 31 March 2020.

#### **Future developments**

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

#### **Dividends**

No dividend was paid during the year (2019: £nil, £nil 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.

#### ***Coronavirus (COVID-19) impact on the financial statements***

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken to contain the virus have affected economic activity and include limiting the movement of people and the temporary closure of businesses and schools.

The group is working with its client, Glasgow City Council, and its subcontractors, to ensure minimal interruption to contracted service provision during this period of disruption. This work is being carried out in conjunction with subcontractors, who are ensuring that the safety of their staff is maintained.

### **3 ED Holdings Limited**

#### **Directors' Report for the Year Ended 31 March 2020 (continued)**

On 26 March 2020 the Scottish Government issued a notice (Scottish Procurement Policy Note SPNN 5/2020: Supplier relief due to COVID-19) that all supplier payments will be maintained as per their individual contracts. Guidance was also issued on 6 April 2020 by the Scottish Futures Trust (SFT Guidance) specifically relating to PFI contracts. The SFT guidance is consistent with SPPN 5/2020. On 12 June 2020 the Scottish Government issued a further notice (Scottish Procurement Policy Note SPPN 8/2020: Recovery and Transition from COVID-19) which supports transition from the current measures to a steady state. The group will continue to receive the monthly unitary payment and will pay its suppliers in a timely manner. SPPN 5/2020 stipulated that suppliers will continue to be paid the contractual amounts due, regardless of service interruptions until at least the end of June 2020. This has been followed by SPPN 8/2020 which requires an open and pragmatic partnership to maintain supplier cash flows. Thus, securing contractual cashflows for the immediate future.

The revenue of the group is linked to the availability of the facility and services delivered in that facility. Availability is not materially adversely impacted by the current measures limiting the movement of people, and service provision is subject to working arrangements that have been agreed with the client.

The group does not employ any staff directly. The main operating costs are agreed, under contract, with the subcontractors and therefore will not be impacted by factors arising due to the coronavirus outbreak. As the majority of costs are contractual, no other measures to control costs are deemed necessary. The timing of lifecycle and major maintenance works is being reviewed as the situation develops.

The group produces regular financial model updates that forecast the group cashflows to the end of the concession period. This financial model indicates that the group will be able to meet its financing covenant ratios and that no additional funding will be required in the next 12 months. The directors therefore consider the COVID-19 outbreak will have no impact on the ability of the group to continue as a going concern. However, the Directors are monitoring usual movements in short and long term economic indicators that may impact the valuation of assets and liabilities, and may therefore have an impact on the financial statements.

#### ***Brexit risk***

The directors have assessed the impact, on the company, arising from the uncertainty attached to the terms of the United Kingdom's withdrawal from the European Union. At this stage the impact cannot be fully understood, and political and economic commentators differ in their assessment of the potential severity of the risks associated with each potential outcome.

As the group operates solely in the United Kingdom the directors do not expect the group will be directly impacted by changes to future trading arrangements, with the EU and the rest of the world, however the directors continue to monitor any potential impact arising from the wider financial markets and the group's supply chain.

#### **Directors of the group**

The directors of the company who were in office during the year and up to the date of signing the financial statements were as follows:

M T Smith

A C Ritchie

C T Solley

N Woodburn (resigned 30 April 2019)

K A McLellan (appointed 1 April 2019)

J S Gordon (appointed 1 May 2019)

C J Anderson (resigned 1 April 2019)

R W Christie (appointed 1 May 2019)

### **3 ED Holdings Limited**

#### **Directors' Report for the Year Ended 31 March 2020 (continued)**

##### **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the Financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 United Kingdom 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

##### **Directors' confirmations**

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the 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.

##### **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.



### 3 ED Holdings Limited

#### Directors' Report for the Year Ended 31 March 2020 (continued)

##### Reappointment of auditors

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

Approved by the Board on 22 July 20 and signed on its behalf by:



A C Ritchie  
Director

### **3 ED Holdings Limited**

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

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

###### **Opinion**

In our opinion, 3 ED Holdings Limited's group financial statements and parent 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 2020 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheets as at 31 March 2020; the Consolidated Profit and Loss Account and Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, and the Consolidated Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

###### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

###### *Independence*

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

###### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

###### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

### **3 ED Holdings Limited**

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

##### **Reporting on other information (continued)**

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

##### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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

###### *Responsibilities of the directors for the financial statements*

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

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

###### *Auditors' responsibilities for the audit of the financial statements*

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

###### *Use of this report*

This report, including the opinions, has been prepared for and only for the parent 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.

### **3 ED Holdings Limited**

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

##### **Other required reporting**

###### **Companies Act 2006 exception reporting**

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

We have no exceptions to report arising from this responsibility.



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

Date: 28 July 2020

### 3 ED Holdings Limited

#### Consolidated Profit and Loss Account for the Year Ended 31 March 2020

	Note	2020 £ 000	2019 £ 000
<b>Turnover</b>	4	33,317	35,095
Cost of sales		<u>(27,417)</u>	<u>(29,194)</u>
<b>Gross profit</b>		5,900	5,901
Administrative expenses		<u>(529)</u>	<u>(753)</u>
<b>Operating profit</b>	5	5,371	5,148
Interest receivable and similar income	6	12,321	13,199
Interest payable and similar charges	7	<u>(12,522)</u>	<u>(12,854)</u>
<b>Profit before taxation</b>		5,170	5,493
Tax on profit	8	<u>(4,027)</u>	<u>(3,614)</u>
<b>Profit for the financial year</b>		<u>1,143</u>	<u>1,879</u>

The above results were derived from continuing operations.

#### Consolidated Statement of Comprehensive Income for the Year Ended 31 March 2020

	Note	2020 £ 000	2019 £ 000
<b>Profit for the financial year</b>		<u>1,143</u>	<u>1,879</u>
<b>Other comprehensive income:</b>			
Change in value of hedging instrument	18	(5,890)	(4,911)
Reclassifications to profit and loss	18	7,108	7,926
Deferred tax arising on unrealised movements on cash flow hedges	8	<u>589</u>	<u>(513)</u>
<b>Other comprehensive income for the year, net of tax</b>		<u>1,807</u>	<u>2,502</u>
<b>Total comprehensive income for the year</b>		<u>2,950</u>	<u>4,381</u>

The notes on pages 17 to 33 form an integral part of these financial statements.

### 3 ED Holdings Limited

#### Consolidated Balance Sheet as at 31 March 2020

	Note	2020 £ 000	2019 £ 000
<b>Current assets</b>			
Debtors: Amounts falling due after more than one year	10	141,380	154,209
Debtors: Amounts falling due within one year	11	13,596	19,635
Cash at bank and in hand		<u>28,422</u>	<u>22,115</u>
		183,398	195,959
<b>Creditors: Amounts falling due within one year</b>	12	<u>(21,842)</u>	<u>(27,480)</u>
<b>Total assets less current liabilities</b>		161,556	168,479
<b>Creditors: Amounts falling due after more than one year</b>	12	(167,796)	(177,524)
<b>Provisions for liabilities</b>	14	<u>(4,936)</u>	<u>(5,081)</u>
<b>Net liabilities</b>		<u>(11,176)</u>	<u>(14,126)</u>
<b>Capital and reserves</b>			
Called up share capital	15	20	20
Cash flow hedge reserve		(32,225)	(34,032)
Profit and loss account		<u>21,029</u>	<u>19,886</u>
<b>Total equity</b>		<u>(11,176)</u>	<u>(14,126)</u>

Approved and authorised by the Board on 27 Jul 20 and signed on its behalf by:



A C Ritchie  
Director

The notes on pages 17 to 33 form an integral part of these financial statements.

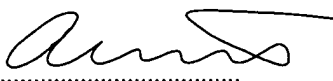
### 3 ED Holdings Limited

#### Company Balance Sheet as at 31 March 2020

	Note	2020 £ 000	2019 £ 000
<b>Fixed assets</b>			
Investments	9	1	1
<b>Current assets</b>			
Debtors: Amounts falling due after more than one year	10	<u>20</u>	<u>20</u>
<b>Total assets less current liabilities</b>		21	21
<b>Creditors: Amounts falling due after more than one year</b>	12	<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	15	20	20
Profit and loss account		<u>-</u>	<u>-</u>
<b>Total equity</b>		<u>20</u>	<u>20</u>

The company made a profit after tax for the financial year of £Nil (2019 - loss of £62).

Approved and authorised by the Board on 22 Oct 20 and signed on its behalf by:



A C Ritchie  
Director

The notes on pages 17 to 33 form an integral part of these financial statements.

### 3 ED Holdings Limited

#### Consolidated Statement of Changes in Equity for the Year Ended 31 March 2020

	Called up Share capital £ 000	Cash flow hedge reserve £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 April 2018	20	(36,534)	18,007	(18,507)
Profit for the financial year	-	-	1,879	1,879
Other comprehensive income	-	2,502	-	2,502
Total comprehensive income	-	2,502	1,879	4,381
At 31 March 2019	20	(34,032)	19,886	(14,126)
	Called up Share capital £ 000	Cash flow hedge reserve £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 April 2019	20	(34,032)	19,886	(14,126)
Profit for the financial year	-	-	1,143	1,143
Other comprehensive income	-	1,807	-	1,807
Total comprehensive income	-	1,807	1,143	2,950
At 31 March 2020	20	(32,225)	21,029	(11,176)

The notes on pages 17 to 33 form an integral part of these financial statements.



### 3 ED Holdings Limited

#### Company Statement of Changes in Equity for the Year Ended 31 March 2020

	<b>Called up Share capital £ 000</b>	<b>Profit and loss account £ 000</b>	<b>Total equity £ 000</b>
At 1 April 2018	20	-	20
Result for the financial year	-	-	-
Total comprehensive income	-	-	-
At 31 March 2019	20	-	20

	<b>Called up Share capital £ 000</b>	<b>Profit and loss account £ 000</b>	<b>Total equity £ 000</b>
At 1 April 2019	20	-	20
Result for the financial year	-	-	-
Total comprehensive income	-	-	-
At 31 March 2020	20	-	20

The notes on pages 17 to 33 form an integral part of these financial statements.

### 3 ED Holdings Limited

#### Consolidated Statement of Cash Flows for the Year Ended 31 March 2020

		2020	2019
	Note	£ 000	£ 000
<b>Net cash from operating activities</b>	16	24,189	16,283
Taxation paid		(4,217)	(3,147)
<b>Net cash generated from operating activities</b>		<u>19,972</u>	<u>13,136</u>
<b>Cash flows from investing activities</b>			
Interest received		12,310	13,218
<b>Net cash generated from investing activities</b>		<u>12,310</u>	<u>13,218</u>
<b>Cash flows from financing activities</b>			
Repayment of senior debt		(13,281)	(14,277)
Repayment of subordinated debt		(1,419)	-
Interest paid		(11,275)	(9,867)
<b>Net cash used in financing activities</b>		<u>(25,975)</u>	<u>(24,144)</u>
<b>Net increase in cash and cash equivalents</b>		6,307	2,210
Cash and cash equivalents at the beginning of the year		22,115	19,905
<b>Cash and cash equivalents at the end of the year</b>		<u>28,422</u>	<u>22,115</u>

The notes on pages 17 to 33 form an integral part of these financial statements.

### **3 ED Holdings Limited**

## **Notes to the Financial Statements for the Year Ended 31 March 2020**

### **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 recognition of certain financial assets and liabilities measured at fair value.

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's and 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.

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 2020.

### **3 ED Holdings Limited**

#### **Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)**

##### **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 cost of sales.

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. 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 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'. Interim dividends are recognised when paid, whilst final dividends are recognised when approved 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.

### 3 ED Holdings Limited

## Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

### 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. Cash balances are held in bank accounts which are subject to controls, exercised by the providers of the group's long term debt facilities, under the terms of its facility agreements.

#### **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.

### 3 ED Holdings Limited

#### Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

##### 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.

### 3 ED Holdings Limited

## Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

### 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.

#### Called up 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.

#### 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.

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. Actual results may subsequently differ from these estimates.

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

#### Judgements

##### Treatment 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.

### 3 ED Holdings Limited

#### Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

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

##### Estimates

##### Finance debtor and turnover recognition

The accounting for service concession contracts and finance debtors requires estimation of service margins (being forecast of contract income less estimates of operating and major maintenance replacement costs), 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 historical experience of the respective debtor. See notes 10 and 11 for the carrying value of the debtors.

##### Measurement of derivatives

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.

#### 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 (2019: 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 £171,000 (2019: £166,000) to the group in respect of these services.

The audit fee in respect of the group was £16,000 for the year (2019: £15,000). The audit fee in respect of the company of £2,000 (2019: £2,000) has been paid by a group undertaking, for which no recharge has been made (2019: £nil).



### 3 ED Holdings Limited

#### Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

##### 6 Interest receivable and similar income

	Group	
	2020 £ 000	2019 £ 000
Imputed interest receivable on finance debtor	12,110	13,017
Interest income on bank deposits	211	182
	<u>12,321</u>	<u>13,199</u>

##### 7 Interest payable and similar charges

	Group	
	2020 £ 000	2019 £ 000
Interest on bank borrowings	2,260	2,398
Interest rate swap costs	7,108	7,926
Interest expense on CTSA	650	-
Other finance costs	30	30
Interest payable on subordinated loans	2,474	2,500
	<u>12,522</u>	<u>12,854</u>

Interest expense on CTSA is related to the settlement of Deemed Short Lease Premium Relief (DSLPR) to Her Majesty's Revenue and Customs (HMRC). The company previously made a claim for DSLPR which was challenged by HMRC. An interest expense has been recognised in the period in relation to the settlement of this claim with HMRC.

##### 8 Tax on profit

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

	Group	
	2020 £ 000	2019 £ 000
<b>Current taxation</b>		
UK corporation tax	3,356	4,880
UK corporation tax adjustment to prior periods	227	455
	<u>3,583</u>	<u>5,335</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	(1,012)	(959)
Arising from changes in tax rates and laws	1,422	-
Adjustment in respect of prior periods	34	(762)
Total deferred taxation	<u>444</u>	<u>(1,721)</u>
Tax on profit	<u>4,027</u>	<u>3,614</u>

### 3 ED Holdings Limited

#### Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

#### 8 Tax on profit (continued)

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

	Group	
	2020 £ 000	2019 £ 000
<b>Deferred tax</b>		
Arising from origination and reversal of timing differences	231	513
Arising from changes in tax rates and laws	(820)	-
Total tax (income)/expense included in other comprehensive income	(589)	513

##### (c) Reconciliation of tax charge

The tax on profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK (2019: higher than the standard rate of corporation tax in the UK) of 19% (2019: 19%).

The differences are reconciled below:

	Group	
	2020 £ 000	2019 £ 000
Profit on ordinary activities before taxation	5,170	5,493
Corporation tax at standard rate	982	1,043
Expenses not deductible for tax purposes	1,362	1,354
Adjustments to tax charge in respect of prior years	261	(307)
Re-measurement of deferred tax - change in UK tax rates	1,422	113
Other provision	-	1,411
Total tax charge	4,027	3,614

##### (d) Tax rate changes

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had been substantively enacted at the balance sheet date, its effects are included in these financial statements, with the 19% rate therefore applied to all tax balance sheet items.

#### 9 Investments

	Company	
	2020 £ 000	2019 £ 000
Investments in subsidiaries	1	1

A full list of subsidiaries and related undertakings is shown in note 20.

### 3 ED Holdings Limited

#### Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

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

	Group		Company	
	2020 £ 000	2019 £ 000	2020 £ 000	2019 £ 000
Finance debtor	141,380	154,209	-	-
Amounts owed by group undertakings	-	-	20	20
	<u>141,380</u>	<u>154,209</u>	<u>20</u>	<u>20</u>

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

	Group		Company	
	2020 £ 000	2019 £ 000	2020 £ 000	2019 £ 000
Trade debtors	15	5,795	-	-
Finance debtor	12,864	13,195	-	-
Prepayments and accrued income	717	645	-	-
	<u>13,596</u>	<u>19,635</u>	<u>-</u>	<u>-</u>

##### 12 Creditors

		Group		Company	
	Note	2020 £ 000	2019 £ 000	2020 £ 000	2019 £ 000
<b>Amounts falling due within one year</b>					
Senior debt	13	8,143	12,763	-	-
Subordinated debt	13	526	1,578	-	-
Trade creditors		1,809	2,449	-	-
Other creditors including taxation and social security		1,059	1,194	-	-
Accruals and deferred income		7,888	6,445	-	-
Corporation tax		2,417	3,051	-	-
		<u>21,842</u>	<u>27,480</u>	<u>-</u>	<u>-</u>

### 3 ED Holdings Limited

#### Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

##### 12 Creditors (continued)

		Group		Company	
	Note	2020 £ 000	2019 £ 000	2020 £ 000	2019 £ 000
Amounts falling due after more than one year					
Senior debt	13	111,180	119,323	-	-
Subordinated debt	13	16,832	17,199	-	-
Amounts owed to group undertakings		-	-	1	1
Derivative financial instruments	18	39,784	41,002	-	-
		167,796	177,524	1	1

##### 13 Loans and borrowings

	Group	
	2020 £ 000	2019 £ 000
<b>Loans and borrowings falling due within one year</b>		
Senior debt	8,143	12,763
Subordinated debt	526	1,578
	<u>8,669</u>	<u>14,341</u>

	Group	
	2020 £ 000	2019 £ 000
<b>Loans and borrowings falling due between one and five years</b>		
Senior debt	34,494	30,807
Subordinated debt	874	1,241
	<u>35,368</u>	<u>32,048</u>

	Group	
	2020 £ 000	2019 £ 000
<b>Loans and borrowings falling due after more than five years</b>		
Senior debt	76,686	88,516
Subordinated debt	15,958	15,958
	<u>92,644</u>	<u>104,474</u>

### 3 ED Holdings Limited

#### Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

##### 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 weighted average 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 2019	5,081
Additions dealt with in profit or loss	444
Reductions dealt with in other comprehensive income	(589)
At 31 March 2020	<u>4,936</u>

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

	2020 £ 000	Group 2019 £ 000
Accelerated capital allowances	11,321	10,839
Other timing differences	1,174	1,212
Fair value of financial instruments	(7,559)	(6,970)
	<u>4,936</u>	<u>5,081</u>

The net deferred tax liability expected to reverse in the next 12 months is £1,052,000 (2019: £2,108,000). This primarily relates to the reversal of timing differences on capital allowances.

##### 15 Called up share capital

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

	2020	Group and Company	2019	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	<u>20</u>	<u>20</u>	<u>20</u>	<u>20</u>

### 3 ED Holdings Limited

#### Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

##### 16 Notes to the cash flow statement

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Profit for the financial year	1,143	1,879
Adjustments for:		
- Tax on profit on ordinary activities	4,027	3,614
- Net interest expense/(income)	201	(345)
<b>Operating profit</b>	<b>5,371</b>	<b>5,148</b>
Net movement in finance debtor	13,160	11,850
Working capital movements:		
- Decrease/(increase) in debtors	5,719	(268)
- Decrease in creditors	(61)	(447)
<b>Cash flow from operating activities</b>	<b>24,189</b>	<b>16,283</b>

##### Analysis of changes in net debt

	<b>Group</b>			
	<b>At 1 April 2019</b>	<b>Cash flows</b>	<b>Non-cash changes</b>	<b>At 31 March 2020</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
Cash at bank and in hand	22,115	6,307	-	28,422
<b>Cash and cash equivalents</b>	<b>22,115</b>	<b>6,307</b>	<b>-</b>	<b>28,422</b>
Senior debt	(132,086)	13,281	(518)	(119,323)
Subordinated debt	(18,777)	1,419	-	(17,358)
Derivative financial instruments	(41,002)	7,108	(5,890)	(39,784)
<b>Total</b>	<b>(169,750)</b>	<b>28,115</b>	<b>(6,408)</b>	<b>(148,043)</b>

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

### 3 ED Holdings Limited

#### Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

##### 17 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 following fellow group undertakings of the shareholders of 3 ED Holdings Limited, the ultimate parent undertaking.

Imagile Business Support Limited  
 Imagile Professional Services Limited  
 Semperian PPP Investment Partners Limited  
 Semperian PPP Investment Partners No.2 Limited  
 Laing Investments Management Services Limited (until 30 April 2019)  
 JLIF (GP) Limited (until 30 April 2019)  
 Aberdeen Infrastructure Finance GP Limited  
 Aberdeen Infrastructure Limited  
 Craighouse UK 2 Limited (from 1 May 2019)  
 Craighouse UK 3 Limited (from 1 May 2019)

On 28 September 2018, John Laing Infrastructure Fund Limited was acquired by Jura Acquisition Limited, a subsidiary of Jura Holdings Limited. Jura Holdings Limited is a Guernsey registered company which is a joint venture between funds managed by Dalmore Capital Limited and Equitix Investment Management Ltd.

From 1 May 2019, transactions with John Laing Infrastructure Fund Limited ceased and was transferred to Dalmore Capital Limited and its subsidiaries, which include Craighouse UK 2 Limited and Craighouse UK 3 Limited.

The company incurred the following costs in respect of the provision of staff and support services:

	Type of expense	31 March 2020 £ 000	31 March 2019 £ 000
Imagile Business Support Limited	Support services	300	518
Imagile Professional Services Limited	Professional fees	-	5
Semperian PPP Investment Partners Limited	Support services	53	52
Semperian PPP Investment Partners No.2 Limited	Loan interest	767	775
Laing Investments Management Services Limited	Support services	3	33
JLIF (GP) Limited	Loan interest	-	500
Aberdeen Infrastructure Finance GP Limited	Support services	84	81
Aberdeen Infrastructure Limited	Loan interest	1,212	1,225
Craighouse UK 3 Limited	Support services	31	-
Craighouse UK 2 Limited	Loan interest	495	-

### 3 ED Holdings Limited

#### Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

##### 17 Related party transactions (continued)

##### Amounts owed to at:

	31 March 2020 £ 000	31 March 2019 £ 000
Imagile Business Support Limited	38	87
Imagile Professional Services Limited	-	-
Semperian PPP Investment Partners Limited	-	207
Semperian PPP Investment Partners No.2 Limited	7,219	7,415
Laing Investments Management Services Limited	-	130
JLIF (GP) Limited	-	4,784
Aberdeen Infrastructure Finance GP Limited	-	273
Aberdeen Infrastructure Limited	11,411	11,721
Craighouse UK 3 Limited	31	-
Craighouse UK 2 Limited	4,658	-

##### 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.



### 3 ED Holdings Limited

#### Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

##### 18 Financial instruments

##### Categorisation of financial instruments

The group had the following financial instruments:

	Note	Group	
		2020 £ 000	2019 £ 000
Financial assets at fair value through profit or loss		-	-
Financial assets that are debt instruments measured at amortised cost			
- Trade debtors	11	15	5,795
- Finance debtor	10, 11	154,244	167,404
		<u>154,259</u>	<u>173,199</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	12	(39,784)	(41,002)
Financial liabilities measured at amortised cost			
- Senior debt	12	(119,323)	(132,086)
- Subordinated debt	12	(17,358)	(18,777)
- Trade creditors	12	(1,809)	(2,449)
- Accruals	12	(7,072)	(5,640)
		<u>(145,562)</u>	<u>(158,952)</u>
<b>Fair value of derivatives used for hedging in the Consolidated Balance Sheet</b>			
	Note	Group	
		2020 £ 000	2019 £ 000
Creditors: Amounts falling due after more than one year - Fair value of swaps	12	(39,784)	(41,002)
Net Fair value of swaps in the Balance Sheet		<u>(39,784)</u>	<u>(41,002)</u>

### 3 ED Holdings Limited

#### Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

##### 18 Financial instruments (continued)

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

	Group	
	2020 £ 000	2019 £ 000
Recognised through Other Comprehensive Income	1,218	3,015
	<u>1,218</u>	<u>3,015</u>

The group has considered the amendments to FRS 102 that provide certain reliefs in connection with interest rate benchmark reform. These are mandatory for periods commencing on or after 1 January 2020 but have been early adopted by the group. Below are details of the significant interest rate benchmarks to which the entity's hedging relationships are exposed. The group is monitoring the FRC's phase two plans in respect of interest rate benchmark reform.

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 £39,784,000 (2019: £41,002,000).

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 2020, a hedging loss of £5,890,000 (2019: £4,911,000 loss) was recognised in other comprehensive income for changes in the fair value of the interest rate swaps and £7,108,000 (2019: £7,926,000) was reclassified from the hedge reserve to profit and loss within interest payable.

The interest rate swaps are measured at fair value which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are forward interest rates.

##### 19 Parent and ultimate parent undertaking

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

On 28 September 2018, John Laing Infrastructure Fund Limited was acquired by Jura Acquisition Limited a subsidiary of Jura Holdings Limited. Jura Holdings Limited is a Guernsey registered company which is a joint venture between funds managed by Dalmore Capital Limited and Equitix Investment Management Ltd.

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 financial statements 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.

### 3 ED Holdings Limited

#### Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

##### 20 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.