

Registration number: SC190330

3ED Glasgow Limited

Annual Report and Financial Statements

for the Period from 1 October 2014 to 31 March 2016

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3ED Glasgow Limited

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3ED Glasgow Limited

Company Information

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

3ED Glasgow Limited

Strategic Report for the Period Ended 31 March 2016

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

Principal activity

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

Results and review of business

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

Principal risks and uncertainties

The company 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 financial risks and the measures taken to mitigate them are as detailed in the Directors' Report.

Key performance indicators ('KPIs')

The company'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 company's Directors believe that further operational key performance indicators for the company are not necessary or appropriate for an understanding of the performance or position of the business. In addition the Directors monitor compliance with debt covenant ratios as specified in the senior loan agreement, in particular the Debt Service Cover Ratio, and no non-compliance has been noted.

Transition to FRS 102

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

FRS 102 is to be applied to accounting periods beginning on or after 1 January 2015. The current accounting period began on 1 October 2014 and the Directors have decided, in this instance, to adopt FRS102 early.

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

26 JUL 2016

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



A C Ritchie
Director

26 JUL 2016

3ED Glasgow Limited

Directors' Report for the Period Ended 31 March 2016

Registration number: SC190330

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

Future developments

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

Dividends

A dividend of £2,901,000 (£145.01 per ordinary share) was paid during the period (year ended 30 September 2014: £3,796,000, £189.81 per ordinary share).

Financial risk management

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

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

Directors of the Company

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

M T Smith

J M Linney (resigned 22 July 2015)

A C Ritchie

M J M Watson (resigned 16 January 2015)

C T Solley

K A McLellan

S McInnes (appointed 22 July 2015)

3ED Glasgow Limited

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

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland' (FRS 102).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Going concern

Although the company'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 company's cash flows over the duration of the PFI project. Having reviewed the company's projected profits and cash flows by reference to a financial model, that includes the impact of these instruments, the Directors consider that the company will be able to settle its debts as they fall due and accordingly the financial statements have been prepared on a going concern basis.

Disclosure of information to the auditors

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

3ED Glasgow Limited

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

Reappointment of auditors

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

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

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



A C Ritchie
Director

26 JUL 2016

3ED Glasgow Limited

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

Report on the financial statements

Our opinion

In our opinion, 3ED Glasgow Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the 18 month period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

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

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

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

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

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

3ED Glasgow Limited

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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

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

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

What an audit of financial statements involves

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

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

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

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

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



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

Date: 27 July 2016

3ED Glasgow Limited

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

	Note	1 October 2014 to 31 March 2016 £ 000	Year ended 30 September 2014 £ 000
Turnover	4	42,077	27,485
Cost of sales		<u>(34,150)</u>	<u>(22,463)</u>
Gross profit		7,927	5,022
Administrative expenses		<u>(640)</u>	<u>(511)</u>
Operating profit	5	7,287	4,511
Income from shares in group undertakings		2,845	1,898
Interest receivable and similar income	6	23,603	16,522
Interest payable and similar charges	7	<u>(23,462)</u>	<u>(16,678)</u>
Profit on ordinary activities before taxation		10,273	6,253
Taxation	8	<u>4,532</u>	<u>(1,730)</u>
Profit for the financial period		<u>14,805</u>	<u>4,523</u>

The above results were derived from continuing operations.

Statement of Comprehensive Income for the Period Ended 31 March 2016

	Note	1 October 2014 to 31 March 2016 £ 000	Year ended 30 September 2014 £ 000
Profit for the period		<u>14,805</u>	<u>4,523</u>
Other comprehensive income:			
Change in value of hedging instrument		(13,328)	(18,039)
Reclassifications to profit and loss		15,820	11,417
Deferred tax arising on unrealised gain/(loss) on cash flow hedges	8	<u>(1,722)</u>	<u>1,325</u>
Other comprehensive income for the period, net of tax		<u>770</u>	<u>(5,297)</u>
Total comprehensive income for the period		<u>15,575</u>	<u>(774)</u>

The notes on pages 11 to 26 form an integral part of these financial statements.

3ED Glasgow Limited

Balance Sheet as at 31 March 2016

	Note	31 March 2016 £ 000	30 September 2014 £ 000
Fixed assets			
Investments	9	27,312	27,312
Current assets			
Debtors: Amounts falling due within one year	10	15,693	16,760
Debtors: Amounts falling due after more than one year	11	190,023	204,751
Cash at bank and in hand		20,405	20,721
		226,121	242,232
Creditors: Amounts falling due within one year	12	(20,640)	(20,457)
Net current assets		205,481	221,775
Total assets less current liabilities		232,793	249,087
Creditors: Amounts falling due after more than one year	12	(239,215)	(261,206)
Provisions for liabilities	14	(5,120)	(12,097)
Net liabilities		(11,542)	(24,216)
Capital and reserves			
Called up share capital	15	20	20
Profit and loss account		38,608	26,704
Cash flow hedge reserve		(50,170)	(50,940)
Total equity		(11,542)	(24,216)

26 JUL 2016

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



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A C Ritchie
Director

The notes on pages 11 to 26 form an integral part of these financial statements.

3ED Glasgow Limited

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

	Note	Share capital £ 000	Profit and loss account £ 000	Cash flow hedge reserve £ 000	Total £ 000
At 1 October 2013		20	25,977	(45,643)	(19,646)
Profit for the period		-	4,523	-	4,523
Other comprehensive income		-	-	(5,297)	(5,297)
Total comprehensive income		-	4,523	(5,297)	(774)
Dividends	16	-	(3,796)	-	(3,796)
At 30 September 2014		<u>20</u>	<u>26,704</u>	<u>(50,940)</u>	<u>(24,216)</u>
	Note	Share capital £ 000	Profit and loss account £ 000	Cash flow hedge reserve £ 000	Total £ 000
At 1 October 2014		20	26,704	(50,940)	(24,216)
Profit for the period		-	14,805	-	14,805
Other comprehensive income		-	-	770	770
Total comprehensive income		-	14,805	770	15,575
Dividends	16	-	(2,901)	-	(2,901)
At 31 March 2016		<u>20</u>	<u>38,608</u>	<u>(50,170)</u>	<u>(11,542)</u>

The notes on pages 11 to 26 form an integral part of these financial statements.

3ED Glasgow Limited

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

1 General information

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

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

The address of its registered office is:

1 Atlantic Quay
1 Robertson Street
Glasgow
G2 8JB

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

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

Basis of preparation

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

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

Going concern

Although the company'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 company's cash flows over the duration of the PFI project. Having reviewed the company's projected profits and cash flows by reference to a financial model, that includes the impact of these instruments, the directors consider that the company will be able to settle its debts as they fall due and accordingly the financial statements have been prepared on a going concern basis.

3ED Glasgow Limited

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

2 Accounting policies (continued)

Revenue recognition

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

The company recognises income when it has fully fulfilled its contractual obligations. 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.

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

Finance debtor and interest receivable

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

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

Investment income

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

Fixed asset investments

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

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 company operates and generates taxable income.

3ED Glasgow Limited

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

2 Accounting policies (continued)

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

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

Cash and cash equivalents

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

Financial Instruments

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

(i) Financial assets

Basic financial assets, including trade and other receivables, finance debtors, cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

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

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

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

(ii) Financial liabilities

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

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

3ED Glasgow Limited

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

2 Accounting policies (continued)

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

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

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

(iii) Offsetting

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

(iv) Derivatives and Hedging arrangements

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

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate, unless they are included in hedging arrangements.

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

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

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

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

3ED Glasgow Limited

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

2 Accounting policies (continued)

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. These exemptions are:

- (i) the requirement to prepare a statement of cash flows;
- (ii) certain financial instrument disclosures providing equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated;
- (iii) the requirement to disclose related party transactions, with the members of the same group, that are wholly owned.

3 Critical accounting judgements and estimation uncertainty

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

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

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

Finance Debtor

The company has elected to continue to apply its previous accounting treatment in respect of service concession arrangements entered into prior to the date of transition to FRS 102. This has resulted in the measurement of the finance debtor being different from that which would have resulted had the requirements of FRS 102 Section 34 been fully adopted. The accounting for service concession contracts and finance debtors requires estimation of service margins, finance debtors interest rates and associated amortisation profile which are based on the forecast results of the PFI contracts over the respective concession length. See notes 10 and 11 for the carrying value of the finance debtor.

Impairment of debtors

Management makes an estimate of the likely recoverable value of trade and other debtors by considering factors including the current credit rating, the ageing profile and the historic experience of the respective debtor. See note 10 for the carrying value of the debtors.

Treatment and Measurement of derivatives

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

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

3ED Glasgow Limited

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

3 Critical accounting judgements and estimation uncertainty (continued)

Taxation

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

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

4 Turnover

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

5 Operating profit

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

The audit fee in respect of the company was £14,000 for the period (year ended 30 September 2014: £14,000). Fees payable to the auditors for non-audit services were £2,000 (year ended 30 September 2014: £24,000). The company also bore the audit fees of the other group undertakings of £5,000 (year ended 30 September 2014: £5,000) during the period.

6 Interest receivable and similar income

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

3ED Glasgow Limited

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

7 Interest payable and similar charges

	1 October 2014 to 31 March 2016 £ 000	Year ended 30 September 2014 £ 000
Interest on bank borrowings	3,778	2,596
Interest rate swap costs	15,820	11,417
Other finance costs	46	30
Interest payable on subordinated loans	3,818	2,635
	<u>23,462</u>	<u>16,678</u>

8 Taxation

(a) Tax expense included in profit or loss

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

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

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

3ED Glasgow Limited

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

8 Taxation (continued)

(c) Reconciliation of tax charge

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

The differences are reconciled below:

	1 October 2014 to 31 March 2016 £ 000	Year ended 30 September 2014 £ 000
Profit before tax	<u>10,273</u>	<u>6,253</u>
Corporation tax at standard rate	2,089	1,376
Income not subject to tax	(578)	(450)
Expenses not deductible for tax purposes	1,452	777
Adjustments to tax charge in respect of prior years	(5,729)	33
Re-measurement of deferred tax - change in UK tax rate	(1,772)	(6)
Other permanent differences	<u>6</u>	<u>-</u>
Total tax (credit)/charge	<u>(4,532)</u>	<u>1,730</u>

(d) Tax rate changes

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

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

9 Investments

	31 March 2016 £ 000	30 September 2014 £ 000
Investments in subsidiaries and related undertakings	<u>27,312</u>	<u>27,312</u>

On 1 February 2008, the company purchased 27,312,040 £1 preference shares at par, issued by 3ED Sisterco Limited, a fellow group undertaking. The shares are non-voting, carry a fixed cumulative preference dividend of 6.95% which accrues on a daily basis, and has no specific repayment term.

3ED Glasgow Limited

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

10 Debtors: Amounts falling due within one year

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

11 Debtors: Amounts falling due after more than one year

	31 March 2016	30 September
	£ 000	2014
		£ 000
Finance debtor	190,023	204,751
	<u>190,023</u>	<u>204,751</u>

12 Creditors

	Note	31 March 2016	30 September
		£ 000	2014
			£ 000
Due within one year			
Senior debt	13	13,152	11,098
Subordinated debt	13	418	1,686
Trade creditors		1,621	1,847
Other taxation and social security		1,034	769
Accruals and deferred income		1,863	3,985
Corporation tax	8	2,552	1,072
		<u>20,640</u>	<u>20,457</u>
Due after one year			
Senior debt	13	159,116	178,248
Subordinated debt	13	18,896	19,283
Amounts owed to group undertakings		20	-
Derivative financial instruments		61,183	63,675
		<u>239,215</u>	<u>261,206</u>

3ED Glasgow Limited

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

13 Loans and borrowings

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

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

The £16,750,000 series 'A' senior subordinated loan notes and £16,750,000 series 'B' junior subordinated loan notes are repayable in instalments, as cashflows 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.

3ED Glasgow Limited

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

14 Provisions for liabilities

	Deferred tax £ 000
At 1 October 2014	12,097
Credit to profit or loss	(8,699)
Charge to other comprehensive income	<u>1,722</u>
At 31 March 2016	<u><u>5,120</u></u>

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

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

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

15 Share capital

Allotted, called up and fully paid shares

	31 March 2016		30 September 2014	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	<u>20</u>	<u>20</u>	<u>20</u>	<u>20</u>

16 Dividends

	31 March 2016 £ 000	30 September 2014 £ 000
Dividends paid of £145.01 (year ended 30 September 2014: £189.81) per ordinary share	<u>2,901</u>	<u>3,796</u>

3ED Glasgow Limited

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

17 Related party transactions

As a wholly owned subsidiary of 3ED Holdings Limited, 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.

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

Semperian PPP Investment Partners No.2 Limited

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

Laing Investment Management Services Limited

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

JLIF (GP) Limited

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

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

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

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

18 Financial instruments

Fair value of derivatives used for hedging in the Balance Sheet

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

3ED Glasgow Limited

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

18 Financial instruments (continued)

Movement in Fair value of derivatives used for hedging

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

The company 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 company's sterling senior loan facilities, and matures in 2029 on the same date as the senior loans.

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

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

19 Parent and ultimate parent undertaking

The company's immediate parent is 3ED Holdings 2 Limited, incorporated in Scotland.

The ultimate parent and controlling party is 3ED Holdings Limited, incorporated in Scotland. The smallest group and largest group to consolidate these financial statements is 3ED Holdings Limited.

The most senior parent entity producing publicly available financial statements is 3ED Holdings Limited. These financial statements are available upon request from the Registrar of Companies, Companies House, 4th Floor Edinburgh Quay 2, 139 Fountainbridge, Edinburgh EH3 9FF.

20 Transition to FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements under the UK GAAP were for the year ended 30 September 2014. The date of transition to FRS 102 was 1 October 2013. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 30 September 2014 and the total equity as at 1 October 2013 and 30 September 2014 between UK GAAP as previously reported and FRS 102.

3ED Glasgow Limited

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

20 Transition to FRS 102 (continued)

Balance Sheet at 1 October 2013

	As originally reported £ 000	Remeasurement/ reclassification £ 000	As restated £ 000
Fixed assets			
Investments	27,312	-	27,312
Current assets			
Debtors: Amounts falling due within one year	18,589	-	18,589
Debtors: Amounts falling due after more than one year	214,506	-	214,506
Cash at bank and in hand	19,669	-	19,669
	<u>252,764</u>	<u>-</u>	<u>252,764</u>
Creditors: Amounts falling due within one year	(19,081)	-	(19,081)
Net current assets	<u>233,683</u>	<u>-</u>	<u>233,683</u>
Total assets less current liabilities	260,995	-	260,995
Creditors: Amounts falling due after more than one year	(209,316)	(57,054)	(266,370)
Provisions for liabilities	(25,682)	11,411	(14,271)
Net assets/(liabilities)	<u>25,997</u>	<u>(45,643)</u>	<u>(19,646)</u>
Capital and reserves			
Called up share capital	20	-	20
Retained earnings	25,977	-	25,977
Cash flow hedge reserve	-	(45,643)	(45,643)
Total equity	<u>25,997</u>	<u>(45,643)</u>	<u>(19,646)</u>

3ED Glasgow Limited

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

20 Transition to FRS 102 (continued)

Balance Sheet at 30 September 2014

	As originally reported £ 000	Remeasurement/ reclassification £ 000	As restated £ 000
Fixed assets			
Investments	27,312	-	27,312
Current assets			
Debtors: Amounts falling due within one year	16,760	-	16,760
Debtors: Amounts falling due after more than one year	204,751	-	204,751
Cash at bank and in hand	20,721	-	20,721
	<u>242,232</u>	-	<u>242,232</u>
Creditors: Amounts falling due within one year	<u>(20,457)</u>	-	<u>(20,457)</u>
Net current assets	<u>221,775</u>	-	<u>221,775</u>
Total assets less current liabilities	249,087	-	249,087
Creditors: Amounts falling due after more than one year	(197,531)	(63,675)	(261,206)
Provisions for liabilities	<u>(24,832)</u>	<u>12,735</u>	<u>(12,097)</u>
Net assets/(liabilities)	<u><u>26,724</u></u>	<u><u>(50,940)</u></u>	<u><u>(24,216)</u></u>
Capital and reserves			
Called up share capital	20	-	20
Retained earnings	26,704	-	26,704
Cash flow hedge reserve	-	(50,940)	(50,940)
Total equity	<u><u>26,724</u></u>	<u><u>(50,940)</u></u>	<u><u>(24,216)</u></u>

3ED Glasgow Limited

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

20 Transition to FRS 102 (continued)

Profit and Loss Account for the year ended 30 September 2014

	As originally reported £ 000	Reclassification £ 000	Remeasurement/ reclassification £ 000	As restated £ 000
Turnover	28,654	(1,169)	-	27,485
Cost of sales	<u>(23,632)</u>	<u>1,169</u>	-	<u>(22,463)</u>
Gross profit	5,022	-	-	5,022
Administrative expenses	<u>(541)</u>	<u>30</u>	-	<u>(511)</u>
Operating profit	<u>4,481</u>	<u>30</u>	-	<u>4,511</u>
Income from shares in group undertakings	1,898	-	-	1,898
Other interest receivable and similar income	16,522	-	-	16,522
Interest payable and similar charges	<u>(16,648)</u>	<u>(30)</u>	-	<u>(16,678)</u>
	<u>1,772</u>	<u>(30)</u>	-	<u>1,742</u>
Profit before tax	6,253	-	-	6,253
Taxation	<u>(1,730)</u>	-	-	<u>(1,730)</u>
Profit for the financial period	<u><u>4,523</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>4,523</u></u>

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

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