Registered number: SC342703

E4I SCHOOLS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

COMPANY INFORMATION

Directors	D Fletcher K O'Brien D Smith A Duck
Company secretary	D Radulescu
Registered number	SC342703
Registered office	Avondale House Suites 1L - 1O Phoenix Crescent Strathclyde Business Park Bellshill North Lanarkshire ML4 3NJ
Independent auditor	Azets Audit Services Chartered Accountants Titanium 1 King's Inch Place Renfrew PA4 8WF

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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2022

The Directors present their report and the financial statements for the year ended 31 March 2022.

Principal activity

The principal activity of E4i Schools Limited is to design, build and maintain 4 school buildings at All Saints Primary School, Aileymill Primary School, Notre Dame High School and Clydeview Secondary School, within a PFI contract with Inverclyde Council. Construction and handover of All Saints Primary School and Aileymill Primary School was complete on 15 February 2010 and construction and handover of Notre Dame High School and Clydeview Secondary School was complete on 4 May 2011.

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. The project is fully operational and performing to the standards of the contract.

Going concern

The Company is currently reporting net liabilities of £12,760,000 (2021 - £16,657,000) as a result of accounting for the fair value of interest rate and RPI swap agreements, the majority of which do not crystallise as liabilities for a number of years. As such, the Company's forecasts and projections, taking account of the impact of swaps and reasonably possible changes in trading performance, show that it should be able to operate within the level of its current facilities and continue to meet loan covenants.

The continued uncertainty in respect of Brexit poses a risk to the UK economy however the Directors consider the risk to the PFI project to be minimal given the majority of our costs are fixed, the unitary charge income due to be received over the life of the concession arrangement has been agreed, the service concession arrangement is with a public sector body and our finance costs are fixed due to the interest rate swap in place.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Results and dividends

The profit for the year, after taxation, amounted to £1,368,000 *(2021 - £890,000).*

Other comprehensive income for the year amounted to £2,919,000 (2021 - £4,455,000). Total comprehensive income for the year amounted to £4,287,000 (2021 - £5,345,000).

During the year dividends of £390,000 (2021 - £160,000) were declared and paid.

Directors

The Directors who served during the year and up to the signing date of these financial statements were:

D Fletcher
K O'Brien
D Smith
A Duck

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. Appropriate directors and officers liability insurance cover is in place in respect of all Directors and officers of the Company.

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, Azets Audit Services, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies' note

In preparing this report, the Directors have taken advantage of the small companies' exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board and signed on its behalf by:

DocuSigned by:

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A Duck
Director

Date: 22 September 2022

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2022

The Directors are responsible for preparing 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 elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards, including Section 1A 'Small Entities' of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice applicable to Small Entities). 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 for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; 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 to 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF E4I SCHOOLS LIMITED

Opinion

We have audited the financial statements of E4i Schools Limited (the 'Company') for the year ended 31 March 2022, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Section 1A of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice applicable to Small Entities).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF E4I SCHOOLS LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's Report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

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

- 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; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of the directors

As explained more fully in the Directors' responsibilities statement set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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 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 Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF E4I SCHOOLS LIMITED (CONTINUED)

Auditor's 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 Auditor's 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 is available on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

The extent to which the audit was considered capable of detecting irregularities including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the FRC's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the Company, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the Company is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Company through discussions with directors and other management, and from our commercial knowledge and experience of the construction sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Company, including the Companies Act 2006 and taxation, data protection, anti-bribery, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF E4I SCHOOLS LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

We assessed the susceptibility of the Company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Use of our report

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

Azets Audit Services

James McBride (Senior Statutory Auditor)
for and on behalf of
Azets Audit Services, Statutory Auditor
Chartered Accountants
Titanium 1
King's Inch Place
Renfrew
PA4 8WF

22 September 2022

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 £000	2021 £000
Turnover		4,554	3,981
Cost of sales		(3,609)	(3,106)
Gross profit		945	875
Administrative expenses		(398)	(400)
Operating profit		547	475
Fair value movement on RPI swap		983	344
Interest receivable and similar income	4	5,002	5,136
Interest payable and similar expenses	5	(4,833)	(4,856)
Profit before tax		1,699	1,099
Tax on profit	6	(331)	(209)
Profit for the financial year		1,368	890
Other comprehensive income for the year			
Effective portion of changes in fair value of cash flow hedge		1,952	5,500
Taxation in respect of items of other comprehensive income	10	967	(1,045)
Other comprehensive income for the year		2,919	4,455
Total comprehensive income for the year		4,287	5,345

The notes on pages 13 to 24 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Note		2022 £000		Restated 2021 £000
Fixed assets					
Financial asset: amounts falling due after more than one year	7		**76,434**		*77,480*
			76,434		*77,480*
Current assets					
Financial asset: amounts falling due within one year	7	**2,189**		*2,046*	
Debtors		**5,566**		*4,793*	
Bank and cash balances		**2,875**		*2,925*	
		10,630		*9,764*	
Creditors: amounts falling due within one year		**(3,476)**		*(2,992)*	
Net current assets			**7,154**		*6,772*
Total assets less current liabilities			**83,588**		*84,252*
Creditors: amounts falling due after more than one year			**(95,666)**		*(100,600)*
Provisions for liabilities					
Provisions	11	**(682)**		*(309)*	
			(682)		*(309)*
Net liabilities			**(12,760)**		*(16,657)*
Capital and reserves					
Called up share capital			**1**		*1*
Cash flow hedge reserve	13		**(16,727)**		*(19,646)*
Profit and loss account	13		**3,966**		*2,988*
			(12,760)		*(16,657)*

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 MARCH 2022

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with the provisions of FRS 102 Section 1A - Small Entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

DocuSigned by:

....

A Duck
Director

Date: 22 September 2022

The notes on pages 13 to 24 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022

	Called up share capital	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 April 2021	1	(19,646)	2,988	(16,657)
Comprehensive income for the year				
Profit for the year	-	-	1,368	1,368
Taxation in respect of items of other comprehensive income	-	967	-	967
Hedge effective portion of change in fair value of designated hedging	-	1,952	-	1,952
Other comprehensive income for the year	-	2,919	-	2,919
Total comprehensive income for the year	-	2,919	1,368	4,287
Transactions with owners				
Dividends	-	-	(390)	(390)
At 31 March 2022	1	(16,727)	3,966	(12,760)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

	Called up share capital	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 April 2020	1	(24,101)	2,258	(21,842)
Comprehensive income for the year				
Profit for the year	-	-	890	890
Taxation in respect of items of other comprehensive income	-	(1,045)	-	(1,045)
Hedge effective portion of change in fair value of designated hedging	-	5,500	-	5,500
Other comprehensive income for the year	-	4,455	-	4,455
Total comprehensive income for the year	-	4,455	890	5,345
Transactions with owners				
Dividends	-	-	(160)	(160)
At 31 March 2021	1	(19,646)	2,988	(16,657)

The notes on pages 13 to 24 form part of these financial statements.

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Section 1A 'Small Entities' of Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice applicable to Small Entities) and the Companies Act 2006.

The presentation currency is £ sterling and the financial statements are rounded to the nearest £000's.

The Company is a private company which is limited by shares. The Company was incorporated in Scotland. The registered office is:

Avondale House
Suites 1L-1O Phoenix Crescent
Strathclyde Business Park
Bellshill
North Lanarkshire
ML4 3NJ

The company number is SC342703.

The preparation of the financial statements in compliance with FRS 102 - Section 1A requires the use of certain accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).

The following principal accounting policies have been applied:

1.2 Going concern

The Company currently has net liabilities of £12,760,000 *(2021 - £16,657,000)* as a result of accounting for the fair value of interest rate and RPI swap agreements, the majority of which do not crystallise as liabilities for a number of years. As such, the Company's forecasts and projections, taking account of the impact of swaps and reasonably possible changes in trading performance, show that it should be able to operate within the level of its current facilities and continue to meet forecast loan covenants.

The continued uncertainty in respect of Brexit poses a risk to the UK economy however the Directors consider the risk to the PFI project to be minimal given the majority of our costs are fixed, the unitary charge income due to be received over the life of the concession arrangement has been agreed, the service concession arrangement is with a public sector body and our finance costs are fixed due to the interest rate swap in place.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

1. Accounting policies (continued)

1.3 Revenue

Turnover during the construction period represents the costs capitalised during construction. During the operational period turnover represents the amounts due from the customer in respect of the activities undertaken as described in the Directors' report. The customer pays a monthly fee to the Company for the services provided (the Unitary Payment), which is allocated between turnover, interest receivable on the financial asset and reimbursement of the financial asset so as to generate a constant return in respect of the financial asset over the life of the contract. Turnover reflects recharges for services provided, lifecycle costs and all operating costs plus an appropriate margin apportioned to these costs.

The margin applied is calculated on a quarterly basis and derived from the operational model which is updated with actual costs incurred to date. The margin is calculated as the total income forecast to be receivable over the life of the project less all service, lifecycle and other operating costs forecast to be payable over the life of the project.

Turnover originates entirely in the United Kingdom and is stated exclusive of value added tax. Cost of sales represents costs incurred in respect of services delivered in the period.

1.4 Current and deferred taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that that have been enacted or substantively enacted by the reporting date.

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1. Accounting policies (continued)

1.5 Financial asset

The assets of the Company fall under Service Concession Arrangements by virtue of the fact that the public sector customer ("Grantor") passes both elements of the asset control test:

i) The Grantor controls the use of the asset via the project agreement and all service level requirements contained therein; and

ii) The Grantor controls the entitlement to residual asset proceeds via an entitlement to purchase the asset prior to an offer to the open market which can be exercised at the Grantor's discretion.

Under section 34 of FRS 102, such assets should be capitalised into a financial asset attributed to the provision of services when there is an unconditional right to receive cash or another financial asset from the Grantor. After initial recognition, the financial asset is accounted for in accordance with section 11 of FRS 102.

Pursuant to section 23 of FRS 102, revenue associated with the financial asset comprises service income related to facilities management, lifecycle maintenance and other administrative running costs of the Company.

1.6 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.8 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.9 Capitalised finance costs

Finance costs are capitalised and measured initially at fair value and are measured subsequently at amortised cost using the effective interest method.

1.10 Financial instruments

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond

1. Accounting policies (continued)

1.10 Financial instruments (continued)

normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an 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.

Derivatives, including interest rate and RPI linked 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, except for hedging instruments in a designated hedging relationship that qualify for hedge accounting, where the resulting gain or loss is recognised as described in section 1.11 below.

1.11 Hedge accounting

The Company has entered into variable to fixed rate interest swaps and RPI linked swaps to manage its exposure to interest rate and inflation cash flow risk on its variable rate debt and contractual revenues. These derivatives are measured at fair value at each reporting date. To the extent the hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in profit or loss for the period.

1. Accounting policies (continued)

1.12 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

2. Judgements in applying accounting policies and key sources of estimation uncertainty

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial period are as follows:

Key sources of estimation uncertainty

Financial asset interest rate - the financial asset interest income is based on the weighted average cost of capital of the project and is applied to the carrying value of the Financial Asset on a quarterly basis. The interest rate used is 6.75% per annum.

Service margin - after the assets are constructed, the Company provides property management services. The remuneration for these services is recognised at cost plus an estimated mark up for profit on property management services. The service margin for the year is an average of 34.13% *(2021 - average of 29.16%)* applied to 34% of the FM and lifecycle costs plus 16% applied to the remaining 66% of FM and lifecycle costs.

Fair value of interest rate swaps - the fair value of interest rate swaps is determined by a risk free valuation and a credit valuation adjustment.

Fair value of RPI swaps - the fair value of inflation rate swaps is determined by a risk free valuation and a credit valuation adjustment.

3. Employees

The Company has no directly employed personnel *(2021 - none).*

None of the Directors have any retirement benefits or other remuneration accruing to them under pension schemes *(2021 - none).*

During the year, Directors' fees of £13,628 *(2021 - £13,444)* were paid to Equitix Education 2 Limited and £13,628 *(2021 - £13,444)* to Forth Services Limited for services carried out by the persons appointed to the board of the Company on behalf of the shareholders of the Parent Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

4. Interest receivable and similar income

	2022 £000	2021 £000
Deposit account interest	-	1
Interest receivable on finance debtor	5,002	5,135
	5,002	5,136

5. Interest payable and similar expenses

	2022 £000	2021 £000
Bank interest payable	3,991	4,012
Amortised arrangement fees	40	40
Interest payable on subordinated debt	802	804
	4,833	4,856

6. Taxation

	2022 £000	2021 £000
Corporation tax		
Current tax on profits for the year	136	143
Total current tax	136	143
Deferred tax		
Deferred tax	195	66
Total deferred tax	195	66
Taxation on profit on ordinary activities	331	209

6. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than *(2021 - the same as)* the standard rate of corporation tax in the UK of 19% *(2021 - 19%)*. The differences are explained below:

	2022	*2021*
	£000	*£000*
Profit on ordinary activities before tax	**1,699**	*1,099*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	**323**	*209*
Effects of:		
Expenses not deductible for tax purposes	**(187)**	*(66)*
Deferred tax charge to P&L in respect of ineffective hedge	**195**	*66*
Total tax charge for the year	**331**	*209*

Factors that may affect future tax charges

The Chancellor announced in the Budget on 3 March 2021, that there would be an increase in the top rate of corporation tax to 25% for companies generating taxable profits of more than £250,000. A corporation tax rate of 19% will apply to companies generating taxable profits of less than £50,000. A marginal rate will be applied for profits between these taxable profit bandings. This change becomes effective from 1 April 2023, once substantitively enacted.

7. Financial asset

	2022 £000	*2021 £000*
At 1 April	**79,526**	*80,713*
Operational revenue recognised	**4,486**	*3,975*
Interest receivable	**5,002**	*5,135*
Unitary charge income	**(10,391)**	*(10,297)*
At 31 March	**78,623**	*79,526*

Financial asset due for amortisation within one year	**2,189**	*2,046*
Financial asset due for amortisation after one year	**76,434**	*77,480*
	78,623	*79,526*

8. Loans

Analysis of the maturity of loans is given below:

	2022 £000	*2021 £000*
Amounts falling due within one year		
Bank loans	**1,922**	*1,697*
Subordinated debt owed to related parties	**107**	*51*
	2,029	*1,748*
Amounts falling due 1-2 years		
Bank loans	**2,238**	*1,922*
Subordinated debt owed to related parties	**120**	*78*
	2,358	*2,000*
Amounts falling due 2-5 years		
Bank loans	**7,670**	*7,254*
Subordinated debt owed to related parties	**493**	*436*
	8,163	*7,690*
Amounts falling due after more than 5 years		
Bank loans	**57,363**	*60,017*
Subordinated debt owed to related parties	**5,626**	*5,803*
	62,989	*65,820*
	75,539	*77,258*

Bank Loan:

The base credit facility incurred interest at a floating rate of 1.1% plus LIBOR. Repayments commenced on 30 September 2011 and the final redemption date is 31 July 2039.

All amounts drawn under the facility are secured by a fixed and floating charge over all the assets, rights and undertakings of the Company.

The bank loan is stated net of unamortised arrangement fees of £585,000 (2021 - £618,000).

As at 31 March 2022 £69,778,000 (2021 - £71,508,000) is outstanding under the bank loan facility.

8. Loans (continued)

Subordinated debt owed to related parties:

The subordinated debt incurred interest at 12.4% per annum and is repayable in semi-annual instalments. The final redemption date is 30 September 2039.

The subordinated debt is stated net of unamortised arrangement fees of £113,000 *(2021 - £119,000)*.

As at 31 March 2022 £6,459,000 *(2021 - £6,487,000)* is outstanding in respect of the subordinated debt.

Financial derivatives:

The Company has entered into interest rate and RPI swap contracts with The Co-operative Bank PLC, Sumito Mitsui Banking Corporation and Barclays Bank PLC to hedge its exposure to fluctuations in interest rates. The effect of the interest rate swap is that the Company pays a fixed rate of interest of 4.43% per annum plus a margin of 1.1% on its Term Loan from October 2008 to March 2039. Receipts and payments on interest rate instruments are recognised on an accruals basis over the life of the instrument.

The notional principal amount of the interest rate swaps as at 31 March 2022 is £69,803,000 *(2021 - £71,529,000)* and the interest rate swaps mature on 31 March 2039.

9. Financial instruments

	2022 £000	*2021 £000*
Financial liabilities		
Derivative financial instruments designated as hedges of variable interest rate risk	**(22,156)**	*(25,090)*

10. Deferred taxation

	2022 £000	*2021 £000*
At beginning of year	**4,766**	*5,877*
(Charged) to profit or loss	**(195)**	*(66)*
Credited/(charged) to other comprehensive income	**967**	*(1,045)*
At end of year	**5,538**	*4,766*

A deferred tax asset has been recognised to the extent that the Directors consider that it is more likely than not that sufficient taxable profits will be available in the future against which the deferred tax asset can be recovered.

10. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	2022 £000	2021 £000
Taxation in respect of the fair value of the cash flow hedge @ 25% (2021 - 19%)	**5,538**	*4,766*
	5,538	*4,766*

11. Provisions

The provision is for Lifecycle works that are expected to be completed. The timing of when these expenses will be incurred is uncertain.

	2022 £000	Restated 2021 £000
Lifecycle Provision	**682**	*309*
	682	*309*

12. Prior Year Adjustment

The prior year comparatives have been corrected to remove £309,000 of accrued lifecycle costs and instead recognise £309,000 as a provision for liabilities.

13. Reserves

Other reserves

The cash flow hedge reserve includes all current and prior period change in fair value of designated hedging and the associated tax movement.

Profit and loss account

The profit and loss account includes all current and prior period retained profits and losses.

14. Related party transactions

All of the following related parties that transacted with E4i Schools Limited (the "Company") are significant shareholders of the Parent Company E4i Holdings Limited.

The loan outstanding due to Forth Services Limited, a shareholder of E4i Holdings Limited, at year end was £969,000 (2021 - £973,000). Interest charged during the year was £120,000 (2021 - £121,000). At the end of the year interest of £60,000 (2021 - £60,000) was accrued. Forth Services Limited also invoiced £14,000 (2021 - £13,000) in respect of professional services.

FES FM Limited, a fellow group member of Forth Services Limited, invoiced £3,221,000 (2021 - £3,473,000) in respect of facilities management and lifecycle services. At the end of the year £250,000 (2021 - £227,000) was outstanding.

The loan outstanding due to Equitix Education 2 Limited, a shareholder of E4i Holdings Limited, at year end was £5,490,000 (2021 - £5,514,000). Interest charged during the year was £682,000 (2021 - £684,000). At the end of the year interest of £339,000 (2021 - £341,000) was accrued. Equitix Education 2 Limited also invoiced £14,000 (2021 - £13,000) in respect of professional services and £141,000 (2021 - £135,000) in respect of consortium relief. At the end of the year £141,000 (2021 - £135,000) was outstanding.

Equitix Management Services Limited, a fellow group member of Equitix Education 2 Limited, invoiced £72,000 (2021 - £71,000) in respect of professional services. At the end of the year £nil (2021 - £7,000) was outstanding.

15. Controlling party

The Company is owned by E4i Holdings Limited, which is in turn controlled by Forth Services Limited (15% shareholding) and Equitix Education 2 Limited (85% shareholding).

In the Directors' opinion Equitix Fund II LP is considered to be the ultimate controlling party.