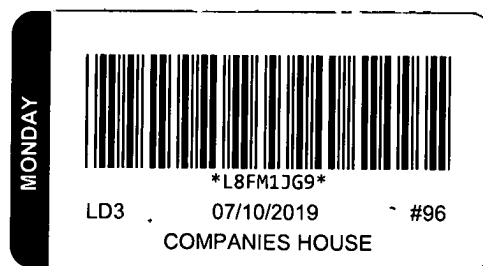


E4I SCHOOLS LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**



E4I SCHOOLS LIMITED

COMPANY INFORMATION

Directors	D Fletcher K O'Brien D Smith A Duck
Company secretary	S Thorpe - Costa
Registered number	SC342703
Registered office	Avondale House Suites 1L - 1O Phoenix Crescent Strathclyde Business Park Bellshill North Lanarkshire ML4 3NJ
Independent auditor	Grant Thornton UK LLP Chartered Accountants and Statutory Auditor 30 Finsbury Square London EC2A 1AG

E4I SCHOOLS LIMITED

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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2019**

Introduction

The Directors submit their annual Strategic report, the Directors' report and the audited financial statements for the year ended 31 March 2019.

Business review

Final full service availability was achieved in May 2011 and the schools have been fully operational since this date. Operational costs are being expensed to the Statement of Comprehensive Income and the financial asset is being amortised over the remaining life of the project.

The project continues to operate in line with the PFI concession and is expected to do so in the future.

Future developments

The Company expects to trade in line with the financial model.

Results and dividends

The profit for the year, after taxation, amounted to £787,000 (2018 - £220,000).

During the year dividends of £202,712 were paid (2018 - £171,738).

Principal risks and uncertainties

The Company was and is subject to certain risks during both the construction and operational phases of the contract. These risks, wherever possible, have been mitigated by passing the risk down to sub-contractors.

Credit risk

The Company's sole customer is Inverclyde Council with which the Company has a concession agreement. If Inverclyde Council disputes the entitlement of the Company to any amount claimed and withholds payment then, as all operational activity is subcontracted, the Company can withhold payment of the disputed amount from the supplier provided that supplier is the cause of the non-payment. The Company, therefore, does not consider its exposure to credit risk to be material.

Liquidity risk

During the operational phase the Company charges Inverclyde Council a monthly unitary charge that is sufficient to meet the on-going obligations including debt service.

Interest rate risk

The Company has entered into interest rate swaps, the purpose of which is to manage the interest rate risk arising from its borrowings.

Inflation rate risk

The unitary charge income is subject to indexation risk which is mitigated through a RPI swap in place to minimise risk from movements in inflation.

E4I SCHOOLS LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019**

Financial key performance indicators

The key performance indicators of the Company are client and financially focused, including those listed below:

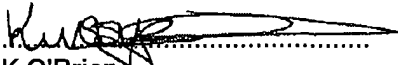
- Operational performance
- Cash flow
- Banking cover ratios

Following the attainment of final service availability in May 2011, the board of directors meet on a regular basis to monitor operational performance to determine whether the project is satisfactorily meeting contractual requirements and the expectations of the customer, and to ensure that the project is meeting the covenanted banking debt service and loan cover ratios so that distributions to shareholders can be made appropriately.

The available loan facilities from a banking syndicate have now been fully drawn down including the subordinated debt subscribed by the shareholders. The loans are now being repaid in line with the expected repayment schedule.

Following the start of the operational phase of the contract the customer has been invoiced promptly in accordance with the terms of the contract. Payment for these invoices has been in accordance with contractual requirements and has not resulted in any significant overdue receivables.

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


K O'Brien
Director

Date: 4 October 2019

E4I SCHOOLS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2019**

The directors present their report and the financial statements for the year ended 31 March 2019.

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.

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 Company's risk exposure is set out in the Strategic Report.

Going concern

The Company currently has net liabilities of £20,227,000 (2018 - £19,529,000) 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.

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.

Directors

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

D Fletcher
K O'Brien
D Smith
A Duck (appointed 14 May 2019)
C Douglass (resigned 14 May 2019)

Disclosure of information to the auditors

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

E4I SCHOOLS LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019

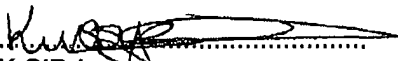
Auditor

Pursuant to Section 487 of the Companies Act 2006, Grant Thornton UK LLP will be deemed to be reappointed.

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:


K O'Brien
Director

Date: 4 October 2019

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2019**

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

E4I SCHOOLS LIMITED

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 2019, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 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 UK, including the FRC'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

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. 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.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Matter on which we are required to report under the Companies Act 2006

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 Strategic report or the Directors' report.

Matters on which we are required to report by exception

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.

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement on page 5, 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.

E4I SCHOOLS LIMITED

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 for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

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.

Grant Thornton UK LLP

Richard Hagley BSc, FCA (Senior Statutory Auditor)
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

4 October 2019

E4I SCHOOLS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019**

	Note	2019 £000	2018 £000
Turnover	3	3,955	2,864
Cost of sales		<u>(3,210)</u>	<u>(2,392)</u>
Gross profit		745	472
Administrative expenses		(343)	(374)
Fair value movement on RPI swap		<u>77</u>	<u>5</u>
Operating profit	4	479	103
Interest receivable and similar income	6	5,378	5,485
Interest payable and similar charges	7	<u>(5,018)</u>	<u>(5,017)</u>
Profit before tax		839	571
Tax on profit	8	<u>(52)</u>	<u>(351)</u>
Profit for the financial year		<u>787</u>	<u>220</u>
Other comprehensive income for the year			
Effective portion of changes in fair value of cash flow hedge		(1,545)	4,710
Taxation in respect of items of other comprehensive income		<u>263</u>	<u>(801)</u>
Other comprehensive income for the year		(1,282)	3,909
Total comprehensive income for the year		<u>(495)</u>	<u>4,129</u>

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

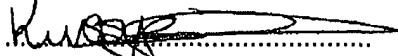
E4I SCHOOLS LIMITED
REGISTERED NUMBER: SC342703

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Note	2019 £000	2018 £000
Fixed assets			
Financial asset >1 year	9	79,961	80,760
		<u>79,961</u>	<u>80,760</u>
Current assets			
Financial asset <1 year	9	1,789	1,672
Debtors: amounts falling due within one year	10	4,798	4,505
Bank and cash balances		3,062	2,679
		<u>9,649</u>	<u>8,856</u>
Current liabilities			
Creditors: amounts falling due within one year	11	(3,387)	(2,982)
		<u>6,262</u>	<u>5,874</u>
Net current assets			
		<u>6,262</u>	<u>5,874</u>
Total assets less current liabilities			
		<u>86,223</u>	<u>86,634</u>
Creditors: amounts falling due after more than one year	12	(106,450)	(106,163)
		<u>(20,227)</u>	<u>(19,529)</u>
Net liabilities			
		<u>(20,227)</u>	<u>(19,529)</u>
Capital and reserves			
Called up share capital	15	1	1
Cash flow hedge reserve	16	(22,410)	(21,128)
Profit and loss account	16	2,182	1,598
		<u>(20,227)</u>	<u>(19,529)</u>

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

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


K O'Brien
Director

Date: 4 October 2019

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

E4I SCHOOLS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019**

	Called up share capital £000	Cash flow hedge reserve £000	Profit and loss account £000	Total equity £000
At 1 April 2018	1	(21,128)	1,598	(19,529)
Comprehensive income for the year				
Profit for the year	-	-	787	787
Taxation in respect of items of other comprehensive income	-	263	-	263
Hedge effective portion of change in fair value of designated hedging	-	(1,545)	-	(1,545)
Other comprehensive income for the year	-	(1,282)	-	(1,282)
Total comprehensive income for the year	-	(1,282)	787	(495)
Dividends: Equity capital	-	-	(203)	(203)
Total transactions with owners	-	-	(203)	(203)
At 31 March 2019	1	(22,410)	2,182	(20,227)

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

E4I SCHOOLS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018**

	Called up share capital £000	Cash flow hedge reserve £000	Profit and loss account £000	Total equity £000
At 1 April 2017	1	(25,037)	1,550	(23,486)
Comprehensive income for the year				
Profit for the year	-	-	220	220
Taxation in respect of items of other comprehensive income	-	(801)	-	(801)
Hedge effective portion of change in fair value of designated hedging	-	4,710	-	4,710
Other comprehensive income for the year	-	3,909	-	3,909
Total comprehensive income for the year	-	3,909	220	4,129
Dividends: Equity capital	-	-	(172)	(172)
Total transactions with owners	-	-	(172)	(172)
At 31 March 2018	1	(21,128)	1,598	(19,529)

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

E4I SCHOOLS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

1. Accounting policies

1.1 Basis of preparation of financial statements

E4i Schools Limited (the "Company") is a company limited by shares and incorporated and domiciled in Scotland. The Company was incorporated on 12 May 2008 and the company number is SC342703. The registered office is:

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

The financial statements are presented in Sterling (£) and rounded to the nearest thousand. These are the financial statements of the Company only.

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

1.2 Going concern

The financial statements are prepared on the going concern basis for reasons stated in the Directors' Report.

The Company currently has net liabilities of £20,227,000 (2018 - £19,529,000) 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.

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.

E4I SCHOOLS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

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 finance debtor and reimbursement of the finance debtor so as to generate a constant return in respect of the finance debtor 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, life cycle 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 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.

1.5 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.

1.6 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

1. Accounting policies (continued)

1.7 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.

1.8 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;
- 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 Group.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

1. Accounting policies (continued)

1.9 Financial instruments

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at 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 normal business terms or financed at a rate of interest that is not a market rate or in case of an outright 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

1. Accounting policies (continued)

1.9 Financial instruments (continued)

Derivatives, including interest rate 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 1.10 below.

1.10 Hedge accounting

The Company has entered into variable to fixed rate interest swaps and RPI 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.

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 29.84% 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. Turnover

All turnover arose within the United Kingdom.

E4I SCHOOLS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

4. Operating profit

The operating profit is stated after charging:

	2019 £000	2018 £000
Auditors' remuneration - audit fees	9	9
Auditors' remuneration - taxation compliance services	4	5
	<u>13</u>	<u>14</u>

5. Directors' remuneration

	2019 £000	2018 £000
Directors' emoluments	26	74
	<u>26</u>	<u>74</u>

The Company has no directly employed personnel (2018 - nil).

6. Interest receivable and similar income

	2019 £000	2018 £000
Deposit account interest	2	-
Interest receivable on finance debtor	5,376	5,485
	<u>5,378</u>	<u>5,485</u>

7. Interest payable and similar expenses

	2019 £000	2018 £000
Bank interest payable	4,170	4,167
Other loan interest payable	40	40
Loans from group undertakings	808	810
	<u>5,018</u>	<u>5,017</u>

E4I SCHOOLS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

8. Taxation

	2019 £000	2018 £000
Corporation tax		
Current tax on profits for the year	145	107
Adjustments in respect of previous periods	(106)	214
Total current tax	39	321
Deferred tax		
Deferred tax	13	30
Total deferred tax	13	30
Taxation on profit on ordinary activities	52	351

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £000	2018 £000
Profit on ordinary activities before tax	839	571
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	159	109
Effects of:		
Adjustments to tax charge in respect of prior periods	(106)	214
Other adjustments	(1)	28
Total tax charge for the year	52	351

Factors that may affect future tax charges

Reductions in the rate of corporation tax to 18% (effective 1 April 2020) was substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the Company's future current tax charge accordingly.

E4I SCHOOLS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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9. Financial asset

	2019 £000	2018 £000
At 1 April	82,432	83,762
Operational revenue recognised	3,889	2,968
Finance debtor interest	5,376	5,394
Unitary charge income	(9,947)	(9,692)
At 31 March	81,750	82,432
Financial asset due for amortisation within one year	1,789	1,672
Financial asset due for amortisation after one year	79,961	80,760
	81,750	82,432

10. Debtors

	2019 £000	2018 £000
Trade debtors	44	1
Prepayments and accrued income	16	16
Deferred taxation	4,738	4,488
	4,798	4,505

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

11. Creditors: Amounts falling due within one year

	2019	2018
	£000	£000
Bank loans	1,173	1,165
Amounts owed to group undertakings - subordinated debt	19	22
Trade creditors	207	350
Corporation tax	145	59
VAT creditor	376	351
Accruals and deferred income	1,467	1,035
	<u>3,387</u>	<u>2,982</u>

There is £33k (2018 - £33k) of unamortised arrangement fees in respect of bank loans and £6k (2018 - £6k) in respect of subordinated debt.

12. Creditors: Amounts falling due after more than one year

	2019	2018
	£000	£000
Bank loans	72,215	73,388
Amounts owed to group undertakings - subordinated debt	6,364	6,373
Cash flow hedge - interest rate and RPI swaps	27,871	26,402
	<u>106,450</u>	<u>106,163</u>

There is £652k (2018 - £685k) of unamortised arrangement fees in respect of bank loans and £126k (2018 - £132k) in respect of subordinated debt.

E4I SCHOOLS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

13. Loans

Analysis of the maturity of loans is given below:

	2019 £000	2018 £000
Amounts falling due within one year		
Bank loans	1,173	1,165
Amounts owed to group undertakings - subordinated debt	19	22
	1,192	1,187
Amounts falling due 1-2 years		
Bank loans	1,323	1,173
Amounts owed to group undertakings - subordinated debt	1	8
	1,324	1,181
Amounts falling due 2-5 years		
Bank loans	5,856	4,941
Amounts owed to group undertakings - subordinated debt	244	125
	6,100	5,066
Amounts falling due after more than 5 years		
Bank loans	65,036	67,274
Amounts owed to group undertakings - subordinated debt	6,119	6,240
	71,155	73,514
	79,771	80,948

Term Loan:

The Term Loan repayments commenced on 30 September 2011 at semi annual intervals with the final payment due in July 2039. Interest charged on amounts drawn under both facilities is based on the floating LIBOR rate plus a margin and was capitalised into the Term Loan balance during the facility availability period through to 31 March 2011 and is now being amortised over the remaining period of the loan.

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

The Term loan is stated net of unamortised arrangement fees of £685k (2018 - £718k).

As at 31 March 2019 £74,073k (2018 - £75,271k) is outstanding under the Term Loan facility.

E4I SCHOOLS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

13. Loans (continued)

Loan from the Parent Company:

The Parent Company shareholders subscribed £6,933k on 24 October 2008 for Loan Notes issued by the Parent Company, which subsequently loaned this amount to the SPV. The loan from the Parent Company bears interest at 12.4% per annum and is repayable in semi-annual instalments from 30 September 2011.

The Loan from the Parent Company is stated net of unamortised arrangement fees of £132k (2018 - £138k).

As at 31 March 2019 £6,516k (2018 - £6,533k) is outstanding in respect of the loan.

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 2019 is £74,089k (2018 - £75,282k) and the interest rate swaps mature on 31 March 2039.

14. Deferred taxation

	2019 £000	2018 £000
At beginning of year	4,488	5,319
Charged to profit or loss	(13)	(30)
Charged to other comprehensive income	263	(801)
At end of year	4,738	4,488

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.

The deferred tax asset is made up as follows:

	2019 £000	2018 £000
Taxation in respect of the fair value of the cash flow hedge	4,738	4,488
	4,738	4,488

E4I SCHOOLS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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15. Share capital

	2019	2018
	£000	£000
Allotted, called up and fully paid		
1,000 (2018 - 1,000) Ordinary shares of £1.00 each	1	1
	<u>1</u>	<u>1</u>

16. 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.

17. 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 £977k (2018 - £980k). Interest charged during the year was £121k (2018 - £122k). At the end of the year interest of £60k (2018 - £61k) was accrued. Forth Services Limited also invoiced £13k (2018 - £36k) in respect of professional services. At the end of the year £nil (2018 - £nil) was outstanding. At the end of the year £nil (2018 - £nil) was accrued for professional services provided by Forth Services Limited.

FES FM Limited, a fellow group member of Forth Services Limited, invoiced £2,772k (2018 - £2,249k) in respect of facilities management and lifecycle services. At the end of the year £197k (2018 - £155k) was outstanding. At the end of the year £869k (2018 - £446k) was accrued for lifecycle services provided by FES FM Limited.

The loan outstanding due to Equitix Education 2 Limited, a shareholder of E4i Holdings Limited, at year end was £5,538k (2018 - £5,553k). Interest charged during the year was £687k (2018 - £689k). At the end of the year interest of £342k (2018 - £343k) was accrued. Equitix Education 2 Limited also invoiced £13k (2018 - £25k) in respect of professional services and £nil (2018 - £296k) in respect of consortium relief. At the end of the year £188k (2018 - £nil) was outstanding. At the end of the year £nil (2018 - £nil) was accrued for professional services or consortium relief provided by Equitix Education 2 Limited.

Equitix Management Services Limited, a fellow group member of Equitix Education 2 Limited, invoiced £67k (2018 - £65k) in respect of professional services. At the end of the year £7k (2018 - £nil) was outstanding. At the end of the year £nil (2018 - £nil) was accrued for professional services provided by Equitix Management Services Limited.

18. 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.