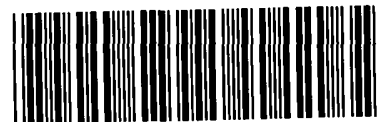


**E4I SCHOOLS LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2017**

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**E4I SCHOOLS LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	D Fletcher D Smith K O'Brien J Crouch (resigned 25 July 2017) C Douglass (appointed 25 July 2017)
<b>Company secretary</b>	S Thorpe - Costa
<b>Registered number</b>	SC342703
<b>Registered office</b>	Avondale House Suites 1L - 1O Phoenix Crescent Strathclyde Business Park Bellshill North Lanarkshire ML4 3NJ
<b>Independent auditor</b>	Grant Thornton UK LLP Chartered Accountants and Statutory Auditor Melton Street London NW1 2EP

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**E4I SCHOOLS LIMITED**

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## E4I SCHOOLS LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2017

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The Directors submit their annual strategic report, the directors' report and the audited financial statements for the year ended 31 March 2017.

#### **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 £1,148,000 (2016 - £582,000).

During the year dividends of £165,253 were paid (2016 - £350,000).

#### **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.

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**E4I SCHOOLS LIMITED**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2017**

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**Financial key performance indicators**

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

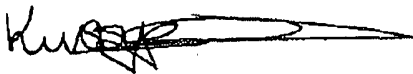
- Operational performance
- Cash flow
- Banking cover ratios

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.



**K O'Brien**  
Director

Date: 2nd October 2017

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## E4I SCHOOLS LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2017

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The directors present their report and the financial statements for the year ended 31 March 2017.

#### **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. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the performance or position of the business.

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

#### **Going concern**

The company currently has net liabilities of £23,486,000 (2016 - £19,784,000) 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 were:

D Fletcher  
D Smith  
K O'Brien  
J Crouch (resigned 25 July 2017)  
C Douglass (appointed 25 July 2017)

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**E4I SCHOOLS LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2017**

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**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.

**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.

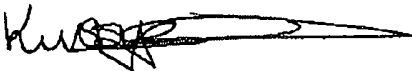
**Auditor**

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.



**K O'Brien**  
Director

Date: 2nd October 2017

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**E4I SCHOOLS LIMITED**

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**DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2017**

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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 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'. 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 financial statements and then apply them consistently;
- make judgments 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 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.



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## E4I SCHOOLS LIMITED

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

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We have audited the financial statements of E4i Schools Limited for the year ended 31 March 2017, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

#### **Respective responsibilities of Directors and Auditor**

As explained more fully in the Directors' responsibilities statement 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 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.

#### **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 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.

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E4I SCHOOLS LIMITED

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

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

In the light of our 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 and the Directors' report.

**Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, 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 take advantage of the small companies' exemption in preparing the Directors' report.

*Grant Thornton UK LLP*

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

Date: *2 October 2017*

**E4I SCHOOLS LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2017**

	Note	2017 £000	2016 £000
Turnover	3	3,305	2,694
Cost of sales		(2,375)	(2,208)
<b>Gross profit</b>		<b>930</b>	<b>486</b>
Administrative expenses		(437)	(271)
Fair value movement on RPI swap		287	(121)
<b>Operating profit</b>	4	<b>780</b>	<b>94</b>
Interest receivable and similar income	7	5,588	5,689
Interest payable and similar charges	8	(5,070)	(5,186)
<b>Profit on ordinary activities before taxation</b>		<b>1,298</b>	<b>597</b>
Taxation on profit on ordinary activities	9	(150)	(15)
<b>Profit for the financial year</b>		<b>1,148</b>	<b>582</b>
<b>Other comprehensive income for the year</b>			
Effective portion of changes in fair value of cash flow hedge		(4,725)	(418)
Taxation in respect of items of other comprehensive income		40	83
<b>Other comprehensive income for the year</b>		<b>(4,685)</b>	<b>(335)</b>
<b>Total comprehensive income for the year</b>		<b>(3,537)</b>	<b>247</b>

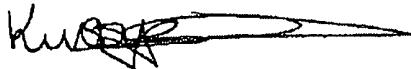
The notes on pages 12 to 22 form part of these financial statements.

**E4I SCHOOLS LIMITED**  
**REGISTERED NUMBER: SC342703**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2017**

	Note	2017 £000	2016 £000
<b>Current assets</b>			
Debtors due after more than 1 year	10	82,198	82,892
Debtors due within 1 year	10	6,998	7,727
Bank and cash balances		1,931	837
		<u>91,127</u>	<u>91,456</u>
Creditors: amounts falling due within one year	11	<u>(2,596)</u>	<u>(2,654)</u>
<b>Net current assets</b>		<b>88,531</b>	<b>88,802</b>
<b>Total assets less current liabilities</b>		<b>88,531</b>	<b>88,802</b>
Creditors: amounts falling due after more than one year	12	<u>(112,017)</u>	<u>(108,586)</u>
<b>Net liabilities</b>		<b><u>(23,486)</u></b>	<b><u>(19,784)</u></b>
<b>Capital and reserves</b>			
Called up share capital	15	1	1
Cash flow hedge reserve	16	(25,037)	(20,352)
Profit And Loss Account	16	1,550	567
		<u>(23,486)</u>	<u>(19,784)</u>

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



**K O'Brien**  
Director

Date: 2nd October 2017

The notes on pages 12 to 22 form part of these financial statements.

**E4I SCHOOLS LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2017**

	Called up share capital	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 April 2016	1	(20,352)	567	(19,784)
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	1,148	1,148
Taxation in respect of items of other comprehensive income	-	40	-	40
Hedge effective portion of change in fair value of designated hedging	-	(4,725)	-	(4,725)
<b>Other comprehensive income for the year</b>	-	(4,685)	-	(4,685)
<b>Total comprehensive income for the year</b>	-	(4,685)	1,148	(3,537)
Dividends: Equity capital	-	-	(165)	(165)
<b>Total transactions with owners</b>	-	-	(165)	(165)
<b>At 31 March 2017</b>	<b>1</b>	<b>(25,037)</b>	<b>1,550</b>	<b>(23,486)</b>

The notes on pages 12 to 22 form part of these financial statements.

E4I SCHOOLS LIMITED

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2016**

	Called up share capital £000	Cash flow hedge reserve £000	Profit and loss account £000	Total equity £000
At 1 April 2015	1	(20,017)	335	(19,681)
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	582	582
Taxation in respect of items of other comprehensive income	-	83	-	83
Hedge effective portion of change in fair value of designated hedging	-	(418)	-	(418)
<b>Other comprehensive income for the year</b>	-	(335)	-	(335)
<b>Total comprehensive income for the year</b>	-	(335)	582	247
Dividends: Equity capital	-	-	(350)	(350)
<b>Total transactions with owners</b>	-	-	(350)	(350)
<b>At 31 March 2016</b>	<b>1</b>	<b>(20,352)</b>	<b>567</b>	<b>(19,784)</b>

The notes on pages 12 to 22 form part of these financial statements.

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## E4I SCHOOLS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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#### 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 the UK. The company was incorporated on 12 May 2008.

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.

The individual accounts of E4i Schools Limited have also adopted the following disclosure exemptions:

- the requirement to present a statement of cash flows and related notes
- financial instrument disclosures, including:
  - o categories of financial instruments,
  - o items of income, expenses, gains or losses relating to financial instruments, and
  - o exposure to and management of financial risks.

The financial statements are presented in Sterling (£).

##### 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 £23,486,000 (2016 - £19,784,000) 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.

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## E4I SCHOOLS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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#### 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.



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**E4I SCHOOLS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

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**1. Accounting policies (continued)**

**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.

**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.

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**E4I SCHOOLS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

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**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 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017

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**1. Accounting policies (continued)**

**1.9 Financial instruments (continued)**

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 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. Judgments in applying accounting policies and key sources of estimation uncertainty**

The estimates and judgments 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 average service margin rate used during the year is 34.36% per annum.

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.

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**E4I SCHOOLS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

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**4. Operating profit**

The operating profit is stated after charging:

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Auditors' remuneration - audit fees	24	8
Auditors' remuneration - taxation compliance services	3	3
	<u>27</u>	<u>11</u>

**5. Employees**

The company has no employees (2016: nil).

**6. Directors' remuneration**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Amounts paid to third parties in consideration for services of directors.	65	(6)
	<u>65</u>	<u>(6)</u>

The company has no directly employed personnel.

**7. Interest receivable and similar income**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Deposit account interest	1	5
Interest receivable on finance debtor	5,587	5,684
	<u>5,588</u>	<u>5,689</u>

**8. Interest payable and similar charges**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Bank loan interest	4,218	4,330
Amortisation of arrangement fees	40	40
Subordinated debt interest	812	816
	<u>5,070</u>	<u>5,186</u>

**E4I SCHOOLS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**9. Taxation**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>Corporation tax</b>		
Current tax on profits for the year	202	145
Adjustments in respect of previous periods	(109)	(105)
	93	40
<b>Total current tax</b>	93	40
<b>Deferred tax</b>		
Deferred tax	57	(25)
<b>Total deferred tax</b>	57	(25)
<b>Taxation on profit on ordinary activities</b>	150	15

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 20% (2016 - lower than 20%). The differences are explained below:

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Profit on ordinary activities before tax	1,298	597
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016 - 20%)	260	119
<b>Effects of:</b>		
Adjustments to tax charge in respect of prior periods	(110)	(105)
Other timing differences leading to an increase (decrease) in taxation	-	1
<b>Total tax charge for the year</b>	150	15

**Factors that may affect future tax charges**

Reductions in the rate of corporation tax to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were 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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**10. Debtors**

	2017 £000	2016 £000
<b>Due after more than one year</b>		
Financial asset	82,198	82,892
	82,198	82,892
<b>Due within one year</b>		
Trade debtors	-	835
Other debtors	87	61
Prepayments and accrued income	29	31
Financial asset	1,563	1,464
Deferred taxation	5,319	5,336
	89,196	90,619

**11. Creditors: Amounts falling due within one year**

	2017 £000	2016 £000
Bank loans	1,032	1,248
Trade creditors	388	386
Amounts owed to group undertakings	22	33
Taxation and social security	228	227
Accruals and deferred income	926	760
	2,596	2,654

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

	2017 £000	2016 £000
Bank loans	74,519	75,518
Amounts owed to group undertakings	6,380	6,389
Cash flow hedge - Interest rate and RPI swaps	31,118	26,679
	112,017	108,586

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**E4I SCHOOLS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

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**13. Loans**

	<b>2017</b>	<i>2016</i>
	<b>£000</b>	<i>£000</i>
In one year or less, or on demand	<b>1,054</b>	<i>1,281</i>
In more than one year, but no more than two years	<b>1,218</b>	<i>1,047</i>
In more than two years, but no more than five years	<b>4,367</b>	<i>3,803</i>
In more than five years	<b>76,210</b>	<i>77,993</i>
Unamortised facility arrangement fees	<b>(896)</b>	<i>(936)</i>
	<b>81,953</b>	<i>83,188</i>

Term Loan:

The Term Loan repayments commenced on 30 September 2011 at six monthly 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.

As at 31 March 2017 £76,302k (2016: £77,550k) is outstanding under the Term Loan facility.

Loan from 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 installments from 30 September 2011.

As at 31 March 2017 £6,547k (2016: £6,573k) is outstanding in respect of the loan.

Financial derivatives:

The company has entered into interest rate and RPI swap contracts with The Cooperative, SMBC and Barclays 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 4.443% per annum plus a margin of 1.1% on its term loans 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 2017 is £76,314k (2016: £77,561k) and the interest rate swaps mature on 31 March 2039.

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E4I SCHOOLS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017

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14. Deferred taxation

	2017 £000	2016 £000
At beginning of year	5,336	5,228
Charged to profit or loss	(57)	24
Charged to other comprehensive income	40	84
<b>At end of year</b>	<b>5,319</b>	<b>5,336</b>

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:

	2017 £000	2016 £000
Deferred tax on derivative financial instruments	5,319	5,336
	<b>5,319</b>	<b>5,336</b>

15. Share capital

	2017 £000	2016 £000
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
1,000 Ordinary shares of £1 each	1	1

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.



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**E4I SCHOOLS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**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 £982k (2016: £986k). Interest charged during the year was £122k (2016: £122k). At the end of the year interest of £61k (2016: £61k) was accrued. Forth Services Limited also invoiced £22k (2016: £21k) in respect of professional services. At the end of the year £nil (2016: £nil) was outstanding. At the end of the year £nil (2016: £nil) was accrued for professional services provided by Forth Services Limited.

FES FM Limited, a fellow group member of Forth Services Limited, invoiced £2,307k (2016: £2,257k) in respect of facilities management services. At the end of the year £348k (2016: £374k) was owed to FES FM Limited for these services.

The loan outstanding due to Equitix Education 2 Limited, a shareholder of E4i Holdings Limited, at year end was £5,565k (2016: £5,587k). Interest during the year was £694k (2016: £693k). At the end of the year interest of £344k (2016: £347k) was accrued. Equitix Education 2 Limited also invoiced £57k (2016: £26k) in respect of professional services. At the end of the year £nil (2016: £nil) was outstanding. At the end of the year £nil (2016: £51k) was accrued for professional services provided by Equitix Education 2 Limited.

**18. Controlling party**

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

In the directors' opinion Equitix Education 2 Limited, an English limited partnership, is considered to be the ultimate controlling party. The largest and smallest group in which its results are consolidated is Equitix Capital Eurobond 2 Limited. The consolidated financial statements are available to the public from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.