E4i Schools Limited

Directors' Report and Financial Statements

For the year ended 31 March 2011
Registered Number SC342703

Directors' Report and Financial Statements

Contents

Directors' Report

The Directors present their report and audited financial statements for the year ended 31 March 2011.

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.

Review of business and future developments

The directors consider the performance of the company during the year, the financial position at the end of the year and its prospects for the future to be satisfactory.

The company considers that its main risks and uncertainties are ensuring that construction of schools are completed on time as the company requires to be paid its unitary charge by the Council so that it can pay its funding costs.

E4i Schools Limited monitors actual performance against plan being the financial close model on a monthly basis and this is reported to the board. There are no major variances to date.

The company's future plans are to complete construction of the secondary schools and maintain all of the school buildings until the end of the concession year.

Results and Dividend

The results for the year are set out in the attached Profit and Loss Account. The profit for the year before taxation is £484,278 (*2010: £41,942*). The directors do not recommend payment of a dividend.

Directors

The Directors who held office during the year were as follows:

M Baxter
B Dalgleish
D Fletcher
K Gill
R Jack
P McVey
S Rickwood
A Ritchie
A Scott *(Alternate Director)* (Resigned 7th December 2010)
D Anderson *(Alternate Director)*

Statement as to disclosure of information to auditors
The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

On behalf of the Board

P McVey
Director

Date: 28 September 2011

Statement of Directors' Responsibilities

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent Auditors' Report to the Members of E4i Schools Limited

We have audited the financial statements on pages 4 to 13.

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).

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 auditors
As more fully explained in the Directors' Responsibilities Statement set out on page 2, 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 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 (APB's) Ethical Standards for Auditors.

Scope of the audit
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on the 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 2011 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 matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.

Baker Tilly UK Audit LLP

GAVIN BLACK (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Date: 28/9/11

Profit and Loss Account
for the year ended 31 March 2011

	Note	**Year ended 31 March 2011**	Year ended 31 March 2010
		£	£
Turnover		**36,267,248**	35,338,741
Cost of sales		**(36,094,104)**	(35,327,686)
Gross profit		**173,143**	11,055
Administrative expenses		**(194,768)**	(39,162)
Operating loss		**(21,625)**	(28,107)
Interest receivable	*3*	**1,677,588**	205,691
Interest payable	*4*	**(1,171,685)**	(135,642)
Profit on ordinary activities before taxation	*5*	**484,278**	41,942
Taxation	*6*	**(130,948)**	(8,808)
Profit on ordinary activities after taxation		**353,330**	33,134

None of the company's activities were acquired or discontinued during the above financial years. No separate statement of total recognised gains and losses has been presented as all gains and losses have been dealt with in the profit and loss account.

Balance Sheet
As at 31 March 2011

	Note	As at 31 March 2011 £	As at 31 March 2010 £
Current assets			
Amounts recoverable on long term contracts		**63,409,856**	27,836,043
Finance lease debtor recoverable within one year	*7*	**1,067,184**	1,947,060
Finance lease debtor recoverable after more than one year	*7*	**23,507,369**	23,190,096
Debtors	*8*	**883,409**	725,108
Cash at bank and in hand		**1,373,610**	1,844,185
		90,241,428	55,542,492
Creditors: amounts falling due within one year	*9*	**(8,606,561)**	(3,734,925)
Current assets less current liabilities		**81,634,867**	51,807,567
Creditors : amounts falling due after more than one year	*10*	**(81,255,508)**	(51,781,538)
Net assets		**379,359**	26,029
Capital and reserves			
Called up share capital	*11*	**1,000**	1,000
Profit and loss account	*12*	**378,359**	25,029
Equity shareholders' funds	*13*	**379,359**	26,029

The financial statements on pages 4 to 13 were approved by the board of directors and authorised for issue on 28 September 2011 ....and are signed on its behalf by:

Philip McVey

P McVey
Director

Registered Number SC342703

Cashflow Statement
As at 31 March 2011

	Note	**As at 31 March 2011 £**	As at 31 March 2010 £
Cash flow from operating activities	*14*	**(3,158,869)**	2,059,753
Returns on investments and servicing of finance	*14*	**505,903**	70,049
Taxation	*14*	**(6,653)**	-
Capital expenditure and financial investment	*14*	**(35,011,209)**	(35,244,320)
		(37,670,828)	(33,114,518)
Cash outflow before financing		**(37,670,828)**	(33,114,518)
Financing	*14*	**37,200,254**	34,405,450
(Decrease) / Increase in cash in year		**(470,574)**	1,290,932

Reconciliation of net cash flow to movement of net debt

	As at 31 March 2011 £	As at 31 March 2010 £
(Decrease) / Increase in cash in the year	**(470,575)**	1,290,932
Change in net debt resulting from cash flows	**(37,200,254)**	(34,405,450)
Movement in net debt in the year	**(37,670,829)**	(33,114,518)
Net debt at 1 April 2010	**(49,937,353)**	(16,822,835)
Net debt at 31 March 2011	**(87,608,182)**	(49,937,353)

Notes – 31 March 2011

(forming part of the accounts)

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material to the company's financial statements.

Basis of preparation
The financial statements have been prepared under the historic cost convention and in accordance with applicable accounting standards in the United Kingdom.

Going Concern
The company financial statements have been prepared on a going concern basis on the assumption that ongoing support will be received from E4i Holdings Limited: the ultimate parent company and the company's bankers and the current expectation that the PFI project in which the company is participating in will be profitable in the future. The Directors believe that this support will continue and are satisfied as to the expectation of the future profitability of the project.

Turnover
Turnover represents the value of work done and services rendered. It arises entirely in the UK and excludes value added tax.

Taxation
The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

Capital instruments
Shares are included in shareholder funds. Other debt instruments, which contain an obligation to repay, are classified as liabilities. The finance cost recognised in the profit and loss account in respect of capital instruments other than shares is allocated to years over the operating life of the instrument to which they relate at a constant rate on the carrying amount.

Amounts recoverable on long term contracts
During the construction phase of the project SSAP 9 "Stocks and Long Term Contracts" principles have been applied. As such any costs incurred are shown as work in progress.

Work in progress is valued at the lower of cost and net realisable value. Costs of work in progress include overheads appropriate to the stage of construction. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal.

Finance costs have been capitalised to the extent that they relate to the construction period.

In accordance with Financial Reporting Standard (FRS 5) and Application Note F, the costs at the end of the construction phase are recorded as a finance debtor on the balance sheet.

Notes – 31 March 2011

(forming part of the accounts)

2. Directors' Remuneration

	Year ended 31 March 2011	Period ended 31 March 2010
	£	£
Amounts paid to third parties in consideration for services of directors	**61,792**	60,000
	61,792	60,000

The company has no directly employed personnel.

3. Interest receivable

	Year ended 31 March 2011	Year ended 31 March 2010
	£	£
On deposits	**8,410**	1,691
On finance lease debtor	**1,669,178**	204,000
	1,677,588	205,691

4. Interest payable and similar items

	Year ended 31 March 2011	Year ended 31 March 2010
	£	£
Bank Loan interest	**1,118,559**	120,828
Inter company interest	**13,349**	1,940
Amortisation of arrangement fee	**39,777**	12,874
	1,171,685	135,642

5. Profit on ordinary activities before taxation

	Year ended 31 March 2011	Year ended 31 March 2010
	£	£
Profit on ordinary activities before taxation is stated after charging		
Auditors remuneration:		
- audit fees	**7,750**	7,200
- taxation (payable to entities related to Baker Tilly UK Audit LLP)	**4,325**	4,000
	12,075	11,200

Notes – 31 March 2011

(forming part of the accounts)

6. Tax on profit and ordinary activities

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
a) Analysis of charge in year		
Current Tax:		
UK Corporation tax on profits of the year	**130,948**	6,553
Total current tax (per note b)	**130,948**	6,653
Deferred tax	**-**	2,155
Tax charge on profit on ordinary activities	**130,948**	8,808
b) Factors affecting tax charge for the year		
The tax assessed for the year differs from the small companies' rate of corporation tax (21%)		
The differences are exlained as follows:		
Profit on ordinary activities multiplied by 21%	**135,598**	8,808
Other timing differences	**-**	(2,155)
Marginal relief	**(4,650)**	-
	130,948	6,653

Deferred taxation

The deferred tax (asset) which has been recognised in the accounts is as follows:		
Trade losses	-	-
	-	-

7. Finance lease debtor/Amounts recoverable on long term contracts

The finance lease debtor includes capitalised interest of £1,099,187 *(2010: £1,099,187)*. Amounts recoverable on long term contracts include capitalised interest of £3,949,251 *(2010: £974,752).*

8. Debtors

	As at 31 March 2011 £	As at 31 March 2010 £
Trade Debtors	**294,071**	-
VAT	**516,561**	508,076
Prepayments	**72,777**	217,032
	883,409	725,108

Notes – 31 March 2011

(forming part of the accounts)

9. **Creditors** : amounts falling due within one year

	As at 31 March 2011	As at 31 March 2010
	£	£
Trade creditors	**710,381**	3,684,014
Accruals	**38,948**	44,258
Corporation tax	-	6,653
Bank Loan	**973,343**	-
Equity Bridge Loan	**6,752,941**	-
Corporation Tax	**130,948**	
	8,606,561	3,734,925

10. **Creditors** : amounts falling due after more than one year

	As at 31 March 2011	As at 31 March 2010
	£	£
Bank loan at fixed rate, repayable in instalments commencing September 2011	**81,255,508**	44,871,472
Loan from parent company	-	6,910,066
	81,255,508	51,781,538
The maturity of debt is as follows:		
In one year or less or on demand	**7,726,284**	-
Between one year and two years	**912,158**	6,595,817
Between two years and five years	**3,573,561**	571,776
In five years or more	**76,769,789**	44,613,945
	88,981,792	51,781,538

The bank loan is repayable, by bi-annual instalments over 29 years commencing September 2011 and ending July 2039. The loan bears an interest rate of 5.74% p.a. charged from September 2011. The equity bridge loan provided by Miller Construction (UK) Limited bears a rate of 0% p.a. 42% of the equity bridge loan provided by SMBC Capital Markets, Barclays Capital and the Co-operative Bank bears an interest rate of LIBOR + 0.7% p.a. and the remaining 58% bears an interest rate of LIBOR + 0.5% p.a. The equity bridge loan is wholly repayable in September 2011 when the parent company will provide a subordinated debt loan at interest rate of 12.4% p.a.

Bank loans are secured by a floating charge over the assets of the company, an assignation of the Project Accounts, the contract rights and a fixed charge in respect of the hedging agreement of the company. In addition, the bank holds a Parent Security Agreement incorporating a floating charge over the assets of the ultimate parent company, E4i Holdings Limited.

Under the agreement, the parent company pledges as security its interest in the shares and shareholder loans.

Notes – 31 March 2011

(forming part of the accounts)

11. Share Capital

	31 March 2011	31 March 2010
	£	£
Authorised, Allotted, called up and fully paid	**1,000**	1,000

12. Profit and loss account

	31 March 2011	31 March 2010
	£	£
Balance brought forward	**25,029**	(8,105)
Profit for year	**353,330**	33,134
At end of year	**378,359**	25,029

13. Reconciliation of movement in shareholders' funds

	31 March 2011	31 March 2010
	£	£
Opening shareholders' funds	**26,029**	(7,105)
Profit for year	**353,330**	33,134
Closing shareholders' funds	**379,359**	26,029

Notes – 31 March 2011

(forming part of the accounts)

14. Analysis of cashflows for headings netted in the cash flow statement

Reconciliation of net cash flow from operating activities to operating loss

	31 March 2011	31 March 2010
	£	£
Operating loss	**(21,625)**	(28,107)
(Increase) / Decrease in debtors	**(158,301)**	3,423
(Increase) / Decrease in creditors	**(2,978,943)**	2,084,437
	(3,158,869)	2,059,753

Returns on investments and servicing of finance

	31 March 2011	31 March 2010
	£	£
Interest received	**1,677,588**	205,691
Interest paid	**(1,171,685)**	(135,642)
	505,903	70,049

Capital expenditure and financial investment

	31 March 2011	31 March 2010
	£	£
Construction costs	**(35,011,209)**	(35,244,320)
	(35,011,209)	(35,244,320)

Financing

	31 March 2011	31 March 2010
	£	£
Loans drawn down	**37,200,254**	34,405,450
	37,200,254	34,405,450

Notes – 31 March 2011
(forming part of the accounts)

15. Analysis of Net Debt

	At 1 April 2010	Cashflows	Non Cashflows	At 31 March 2011
	£	£	£	£
Cash	1,844,185	(470,575)	-	1,373,610
Debt Due in less than one year	-		-	-
Debt due in more than one year	(51,781,538)	(37,200,254)	-	(88,981,792)
Net Debt	(49,937,353)	(37,670,829)	-	(87,608,182)

16. Transactions with Related Parties

All of the following related parties that transacted with E4i Schools Limited are significant shareholders of the ultimate parent company E4i Holdings Limited.

E4i Holdings Limited, the ultimate parent company, provided an inter company loan of £6,910,066 (*2010: £6,910,066*) to E4i Schools Limited, interest incurred during year £40,800 *(2010:54,638)*. This loan remains outstanding at 31 March 2011.

During the year, Miller Construction (UK) Limited, a shareholder in E4i Schools Limited's parent company, invoiced £32,216,936 (*2010: £32,535,307*) in respect of construction and professional services. At the end of the year, £638,538 (*2010: £13,615,361*) was owed to Miller Construction (UK) Limited for these services.

During the year, Forth Services Limited, a shareholder, invoiced £15,121 (*2010: £15,000*) in respect of professional services, and FES FM Limited, a fellow group member of Forth Services Limited, invoiced £564,291 *(2010: £291,173)* in respect of facilities management Services. At the end of the year £nil *(2010:£nil)* was owed to Forth Services Limited and £57,096 (*2010: £56,405*) was owed to FES FM Limited for these services

During the year, Semperian PPP Investment Partners No 2 Limited, a shareholder, invoiced £15,242 (*2010: £15,000*) in respect of professional services and Semperian Asset Management Limited, a fellow group member of Semperian PPP Investment Partners No 2 Limited, invoiced £54,363 *(2010: £44,217)* in management services. At the end of the year £nil *(2010: £nil)* was owed to Semperian PPP Investment Partners No 2 Limited and £nil (*2010: £5,195*) was owed to Semperian Asset Management Limited for these services.

During the year, Cyril Sweett Investments Limited, a shareholder in E4i Schools Limited's parent company, invoiced £182,139 (*2010: £177,618*) in respect of professional services. At the end of the year £8,163 (*2010: £7,638*) was owed to Cyril Sweett Investments Limited for these services.

17. Capital Commitments

As at 31 March 2011, E4i Schools Limited had capital commitments totalling £794,074 (*2010: £32,948,483)*.

18. Ultimate parent company

The company's ultimate parent company is E4i Holdings Limited, which is registered and incorporated in Great Britain.