

E4i Schools Limited

Directors' Report and Financial Statements

For the year ended 31 March 2010

Registered Number SC342703

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Directors' Report and Financial Statements

Contents

Directors' Report	1
Statement of Directors' Responsibilities	2
Independent Auditors' Report to the Members of E4i Schools Limited	3
Profit and Loss Account	4
Balance Sheet	5
Cashflow Statement	6
Notes	7-13

Directors' Report

The Directors present their report and audited financial statements for the year ended 31 March 2010.

Principal Activity and Review of business and future developments

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 Cylderview Secondary School, within a PPP contract with Inverclyde Council.

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. During the year, construction of the 2 primary schools was completed and the schools were opened on time.

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 £41,942 (2009: loss of £10,260). The directors do not recommend payment of a dividend.

Directors

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

M Baxter	
A Birch	(Resigned 18 th February 2010)
B Dalglish	
D Fletcher	
K Gill	
R Jack	
P McVey	
S Rickwood	
A Ritchie	(Appointed 24 th November 2009)
A Scott (Alternate Director)	(Appointed 24 th March 2009)
D Anderson (Alternate Director)	(Appointed 17 th March 2009)

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:

30/03/10



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.

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/UKNP.

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 2010 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.

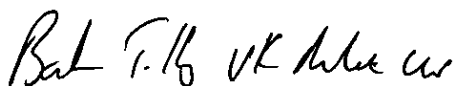
Opinion on other matter prescribed by the Companies Act 2006

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.



Ivan Tait (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: 1/9/10

Profit and Loss Account
 for the year ended 31 March 2010

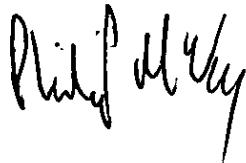
	Note	Year ended 31 March 2010 £	Period ended 31 March 2009 £
Turnover		35,338,741	17,728,879
Cost of sales		(35,327,686)	(17,728,879)
		<hr/>	<hr/>
Gross profit		11,055	-
Administrative expenses		(39,162)	(10,260)
		<hr/>	<hr/>
Operating loss		(28,107)	(10,260)
Interest receivable	3	205,691	-
Interest payable	4	(135,642)	-
		<hr/>	<hr/>
Profit / (loss) on ordinary activities before taxation	5	41,942	(10,260)
Taxation	6	(8,808)	2,155
		<hr/>	<hr/>
Profit / (loss) on ordinary activities after taxation		33,134	(8,105)
		<hr/> <hr/>	<hr/> <hr/>

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 2010

	Note	As at 31 March 2010 £	As at 31 March 2009 £
Current assets			
Amounts recoverable on long term contracts		27,836,043	17,728,879
Finance lease debtor recoverable within one year	7	1,947,060	-
Finance lease debtor recoverable after more than one year	7	23,190,096	-
Debtors	8	725,108	730,686
Cash at bank and in hand		1,844,185	553,253
		<u>55,542,492</u>	<u>19,012,818</u>
 Creditors: amounts falling due within one year	9	 (3,734,925)	 (1,643,835)
 Current assets less current liabilities		 <u>51,807,567</u>	 <u>17,368,983</u>
 Creditors : amounts falling due after more than one year	10	 (51,781,538)	 (17,376,088)
 Net assets/(liabilities)		 <u>26,029</u>	 <u>(7,105)</u>
 Capital and reserves			
Called up share capital	11	1,000	1,000
Profit and loss account	12	25,029	(8,105)
 Equity shareholders' funds/(deficit)	13	 <u>26,029</u>	 <u>(7,105)</u>

The financial statements on pages 4 to 13 were approved by the board of directors and authorised for issue on 30 August 2010 and are signed on its behalf by:



P McVey
Director

Registered Number SC342703

Cashflow Statement

As at 31 March 2010

	Note	As at 31 March 2010 £	As at 31 March 2009 £
Cash flow from operating activities	14	2,059,753	905,044
Returns on investments and servicing of finance	14	70,049	-
Capital expenditure and financial investment	14	(35,244,320)	(17,728,879)
		<u>(33,114,518)</u>	<u>(16,823,835)</u>
Cash outflow before financing		(33,114,518)	(16,823,835)
Financing	14	34,405,450	17,377,088
Increase in cash in year		<u>1,290,932</u>	<u>553,253</u>

Reconciliation of net cash flow to movement of net debt

	As at 31 March 2010 £	As at 31 March 2009 £
Increase in cash in the year	1,290,932	553,253
Change in net debt resulting from cash flows	<u>(34,405,450)</u>	<u>(17,376,088)</u>
Movement in net debt in the year	(33,114,518)	(16,822,835)
Net debt at 1 April 2009	<u>(16,822,835)</u>	-
Net debt at 31 March 2010	<u>(49,937,353)</u>	<u>(16,822,835)</u>

Notes – 31 March 2010

(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 2010

(forming part of the accounts)

2. Directors' Remuneration

	Year ended 31 March 2010	Period ended 31 March 2009
	£	£
Amounts paid to third parties in consideration for services of directors	60,000	30,000
	<hr/>	<hr/>
	60,000	30,000
	<hr/>	<hr/>

The company has no directly employed personnel.

3. Interest receivable

	Year ended 31 March 2010	Period ended 31 March 2009
	£	£
On deposits	1,691	-
On finance lease debtor	204,000	-
	<hr/>	<hr/>
	205,691	-
	<hr/>	<hr/>

4. Interest payable and similar items

	Year ended 31 March 2010	Period ended 31 March 2009
	£	£
Bank Loan interest	120,828	-
Inter company interest	1,940	-
Amortisation of arrangement fee	12,874	-
	<hr/>	<hr/>
	135,642	-
	<hr/>	<hr/>

5. Profit / (Loss) on ordinary activities before taxation

	Year ended 31 March 2010	Period ended 31 March 2009
	£	£
<i>Profit/(Loss) on ordinary activities before taxation is stated after charging</i>		
Auditors remuneration:		
- audit fees	7,200	7,120
- other services	4,000	3,140
	<hr/>	<hr/>
	11,200	10,260
	<hr/>	<hr/>

Notes – 31 March 2010

(forming part of the accounts)

6. Tax on profit and ordinary activities

	Year ended 31 March 2010 £	Period ended 31 March 2009 £
a) Analysis of charge in year		
Current Tax:		
UK Corporation tax on profits of the year	6,553	-
	<hr/>	<hr/>
Total current tax (per note b)	6,653	-
Deferred tax	2,155	(2,155)
	<hr/>	<hr/>
Tax charge/(credit) on profit on ordinary activities	8,808	(2,155)
	<hr/>	<hr/>
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 explained as follows:		
Profit/(Loss) on ordinary activities multiplied by 21%	8,808	(2,155)
Other timing differences	(2,155)	2,155
	<hr/>	<hr/>
	6,653	-
	<hr/>	<hr/>
Deferred taxation		
The deferred tax (asset) which has been recognised in the accounts is as follows:		
Trade losses	-	(2,155)
	<hr/>	<hr/>
	-	(2,155)
	<hr/>	<hr/>

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

The finance lease debtor includes capitalised interest of £1,099,187 (2009: nil). Amounts recoverable on long term contracts include capitalised interest of £974,752 (2009:£331,261).

8. Debtors

	As at 31 March 2010 £	As at 31 March 2009 £
VAT	508,076	366,005
Prepayments	217,032	362,526
Deferred tax asset	-	2,155
	<hr/>	<hr/>
	725,108	730,686
	<hr/>	<hr/>

Notes – 31 March 2010

(forming part of the accounts)

9. Creditors : amounts falling due within one year

	As at 31 March 2010	As at 31 March 2009
	£	£
Trade creditors	3,684,014	1,573,635
Accruals	44,258	70,200
Corporation tax	6,653	-
	<u>3,734,925</u>	<u>1,643,835</u>

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

	As at 31 March 2010	As at 31 March 2009
	£	£
Bank loan at fixed rate, repayable in instalments commencing September 2011	44,871,472	10,520,660
Loan from parent company	6,910,066	6,855,428
	<u>51,781,538</u>	<u>17,376,088</u>

The maturity of debt is as follows:

In one year or less or on demand	-	-
Between one year and two years	6,595,817	-
Between two years and five years	571,776	9,840,945
In five years or more	44,613,945	7,535,143
	<u>51,781,538</u>	<u>17,376,088</u>

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 is wholly repayable in 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.

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 2010

(forming part of the accounts)

11. Share Capital

	31 March 2010	31 March 2009
	£	£
Authorised, Allotted, called up and fully paid	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

12. Profit and loss account

	31 March 2010	31 March 2009
	£	£
Loss brought forward	(8,105)	-
Profit/(loss) for year	33,134	(8,105)
	<u>25,029</u>	<u>(8,105)</u>
At end of year	<u>25,029</u>	<u>(8,105)</u>

13. Reconciliation of movement in shareholders' funds

	31 March 2010	31 March 2009
	£	£
Opening shareholders' funds	(7,105)	-
Share capital issued	-	1,000
Profit/(loss) for year	33,134	(8,105)
	<u>26,029</u>	<u>(7,105)</u>
Closing shareholders' funds	<u>26,029</u>	<u>(7,105)</u>

Notes – 31 March 2010

(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 2010	31 March 2009
	£	£
Operating loss	(28,107)	(10,260)
Decrease/ (increase) in debtors	3,423	(728,531)
Increase in creditors	2,084,437	1,643,835
	<hr/>	<hr/>
	2,059,753	905,044
	<hr/>	<hr/>

Returns on investments and servicing of finance

	31 March 2010	31 March 2009
	£	£
Interest received	205,691	-
Interest paid	(135,642)	-
	<hr/>	<hr/>
	70,049	-
	<hr/>	<hr/>

Capital expenditure and financial investment

	31 March 2010	31 March 2009
	£	£
Construction costs	(35,244,320)	(17,728,879)
	<hr/>	<hr/>
	(35,244,320)	(17,728,879)
	<hr/>	<hr/>

Financing

	31 March 2010	31 March 2009
	£	£
Issue of ordinary shares	-	1,000
Debt received	34,405,450	17,376,088
	<hr/>	<hr/>
	34,405,450	17,377,088
	<hr/>	<hr/>

Notes – 31 March 2010

(forming part of the accounts)

15. Analysis of Net Debt

	At 1 April 2009	Cashflows	Non Cashflows	At 31 March 2010
	£	£	£	£
Cash	553,253	1,290,932	-	1,844,185
Debt Due in less than one year	-	-	-	-
Debt due in more than one year	(17,376,088)	(34,405,450)	-	(51,781,538)
Net Debt	<u>(16,822,835)</u>	<u>(33,114,518)</u>	<u>-</u>	<u>(49,937,353)</u>

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 (2008: £6,855,428) to E4i Schools Limited. This loan remains outstanding at 31 March 2010.

During the year, Miller Construction (UK) Limited, a shareholder in E4i Schools Limited's parent company, invoiced £32,535,307 (2009: £16,199,753) in respect of construction and professional services. At the end of the year, £3,615,361 (2009: £1,552,500) was owed to Miller Construction (UK) Limited for these services.

During the year, Forth Services Limited, a shareholder, invoiced £15,000 (2009: £317,500) in respect of professional services, and FES FM Limited, a fellow group member of Forth Services Limited, invoiced £291,173 (2009: £nil) in respect of facilities management Services. At the end of the year £nil (2009: £nil) was owed to Forth Services Limited and £56,405 (2009: £nil) was owed to FES FM Limited for these services

During the year, Semperian PPP Investment Partners No 2 Limited, a shareholder, invoiced £15,000 (2009: £nil) in respect of professional services and Semperian Asset Management, a fellow group member of Semperian PPP Investment Partners No 2 Limited, invoiced £44,217 (2009: £34,000) in management services. At the end of the year £nil (2009: £nil) was owed to Semperian PPP Investment Partners No 2 Limited and £5,195 (2009: £nil) 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 £177,618 (2009: £91,818) in respect of professional services. At the end of the year £7,638 (2009: £nil) was owed to Cyril Sweett Investments Limited for these services.

17. Capital Commitments

As at 31 March 2010, E4i Schools Limited had capital commitments totalling £32,948,483 (2009: £65,354,642).

18. Ultimate parent company

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