

E4i Schools Limited

Directors' Report and Financial Statements

For the year ended 31 March 2012
Registered Number SC342703

THURSDAY



S1HV9VGX

SCT

20/09/2012

#43

COMPANIES HOUSE

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 2012.

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

In May 2011, the construction of the final two schools, Notre Dame High School and Clydeview Secondary School was completed. 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 lie within the banking sector and ensuring that they are able to pay the funding costs. To do this, the company needs to receive timely payment of its unitary charge.

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 operate and maintain all of the school buildings until the end of the concession period.

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 £939,289 (2011: £484,278). In June 2012, the directors declared a dividend of £350,000.

Directors

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

M Baxter	(Resigned 29 th December 2011)
R Christie	(Appointed 29 th December 2011)
B Dagleish	(Resigned 31 st March 2012)
F D'alonzo	(Appointed 29 th December 2011)
D Fletcher	
K Gill	(Resigned 5 th July 2012)
R Jack	
K McLellan	(Appointed 31 st March 2012)
P McVey	(Resigned 29 th December 2011)
S Rickwood	(Resigned 30 th April 2011)
A Ritchie	
D Anderson (<i>Alternate Director</i>)	(Resigned 5 th July 2012)

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

A Ritchie
Director



Date: 19 Sep 12

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 14. 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 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 (APB'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 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 2012 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: *20 September 2012*

Profit and Loss Account
 for the year ended 31 March 2012

	<i>Note</i>	Year ended 31 March 2012	Year ended 31 March 2011
		£	£
Turnover		2,893,873	36,267,248
Cost of sales		(2,704,009)	(36,094,104)
		<hr/>	<hr/>
Gross profit		189,864	173,143
Administrative expenses		(467,539)	(194,768)
		<hr/>	<hr/>
Operating loss		(277,675)	(21,625)
Interest receivable	3	5,960,363	1,677,588
Interest payable	4	(4,743,399)	(1,171,685)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	5	939,289	484,278
Taxation	6	(248,865)	(130,948)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		690,424	353,330
		<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 2012

	Note	As at 31 March 2012 £	As at 31 March 2011 £
Current assets			
Amounts recoverable on long term contracts	7	-	63,409,856
Finance lease debtor recoverable within one year	7	1,149,569	1,067,184
Finance lease debtor recoverable after more than one year	7	87,459,478	23,507,369
Debtors: amounts falling due within one year	8	13,683	883,409
Cash at bank and in hand		1,392,278	1,373,610
		90,015,008	90,241,428
Creditors: amounts falling due within one year	9	(2,128,439)	(8,606,561)
Current assets less current liabilities		87,886,569	81,634,867
Creditors : amounts falling due after more than one year	10	(86,816,786)	(81,255,508)
Net assets		1,069,783	379,359
Capital and reserves			
Called up share capital	11	1,000	1,000
Profit and loss account	12	1,068,783	378,359
Equity shareholders' funds	13	1,069,783	379,359

The financial statements on pages 4 to 14 were approved by the board of directors and authorised for issue on 19 Apr 12 and are signed on its behalf by:



A Ritchie
 Director

Cashflow Statement
as at 31 March 2012

	<i>Note</i>	As at 31 March 2012	As at 31 March 2011
		£	£
Cash flow from operating activities	14	1,209,102	(3,158,869)
Returns on investments and servicing of finance	14	1,231,940	505,903
Taxation		(101,699)	(6,653)
Capital expenditure and financial investment	14	(1,078,868)	(35,011,209)
		<hr/>	<hr/>
		1,260,475	(37,670,828)
		<hr/>	<hr/>
Cash outflow before financing		1,260,475	(37,670,828)
Financing	14	(1,241,807)	37,200,254
		<hr/>	<hr/>
Increase/(decrease) in cash in year		18,668	(470,574)
		<hr/> <hr/>	<hr/> <hr/>

Reconciliation of net cash flow to movement of net debt

	As at 31 March 2012	As at 31 March 2011
	£	£
Increase/(decrease) in cash in the year	18,668	(470,575)
Change in net debt resulting from cash flows	1,241,807	(37,200,254)
Change in net debt resulting from non-cash flows	(14,976)	-
	<hr/>	<hr/>
Movement in net debt in the year	1,245,499	(37,670,829)
Net debt at 1 April 2011	(87,608,182)	(49,937,353)
	<hr/>	<hr/>
Net debt at 31 March 2012	(86,362,683)	(87,608,182)
	<hr/> <hr/>	<hr/> <hr/>

Notes – 31 March 2012

(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 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 2012

(forming part of the accounts)

2. Directors' Remuneration

	Year ended 31 March 2012	Year ended 31 March 2011
	£	£
Amounts paid to third parties in consideration for services of directors	65,279	61,792
	<u>65,279</u>	<u>61,792</u>

The company has no directly employed personnel.

3. Interest receivable

	Year ended 31 March 2012	Year ended 31 March 2011
	£	£
On deposits	2,705	8,410
On finance lease debtor	5,957,658	1,669,178
	<u>5,960,363</u>	<u>1,677,588</u>

4. Interest payable and similar items

	Year ended 31 March 2012	Year ended 31 March 2011
	£	£
Bank Loan interest	4,257,116	1,118,559
On other loans	431,682	13,349
Commitment fees	39,625	39,777
Amortisation of arrangement fees	14,976	-
	<u>4,743,399</u>	<u>1,171,685</u>

5. Profit on ordinary activities before taxation

	Year ended 31 March 2012	Year ended 31 March 2011
	£	£
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors remuneration:		
- audit fees	8,100	7,750
- taxation (payable to entities related to Baker Tilly UK Audit LLP)	5,025	4,325
	<u>13,125</u>	<u>12,075</u>

Notes – 31 March 2012

(forming part of the accounts)

6. Tax on profit and ordinary activities

	Year ended 31 March 2012	Year ended 31 March 2011
	£	£
a) Analysis of charge in year		
Current Tax:		
UK Corporation tax on profits of the year	244,215	130,948
Adjustment in respect of prior periods	4,650	-
	<hr/>	<hr/>
Total current tax (per note b)	248,865	130,948
Deferred tax	-	-
	<hr/>	<hr/>
Tax charge on profit on ordinary activities	248,865	130,948
	<hr/> <hr/>	<hr/> <hr/>
b) Factors affecting tax charge for the year		
The tax assessed for the year differs from the main rate of corporation tax of 26% (2011: 28%)		
The differences are explained as follows:		
Profit on ordinary activities multiplied by 26% (2011: 28%)	244,215	135,598
Adjustment in respect of previous period	4,650	-
Marginal relief	-	(4,650)
	<hr/>	<hr/>
	248,865	130,948
	<hr/> <hr/>	<hr/> <hr/>

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

The finance lease debtor includes capitalised interest of £5,355,625 (2011: £1,099,187). Amounts recoverable on long term contracts include capitalised interest of £nil (2011: £3,949,251). Interest capitalised in the year of £307,187 is based on borrowings used to fund completion of construction at a rate of 5.74%.

8. Debtors: amounts falling due within one year

	As at 31 March 2012	As at 31 March 2011
	£	£
Trade Debtors	3,992	294,071
VAT	-	516,561
Prepayments	9,691	72,777
	<hr/>	<hr/>
	13,683	883,409
	<hr/> <hr/>	<hr/> <hr/>

Notes – 31 March 2012

(forming part of the accounts)

9. Creditors: amounts falling due within one year

	As at 31 March 2012	As at 31 March 2011
	£	£
Trade creditors	185,845	710,381
Accruals	489,980	38,948
Bank loan	925,453	973,343
Equity bridge loan	-	6,752,941
Subordinated debt	12,722	-
VAT	236,325	-
Corporation tax	278,114	130,948
	<u>2,128,439</u>	<u>8,606,561</u>

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

	As at 31 March 2012	As at 31 March 2011
	£	£
Bank loan	80,341,313	81,255,508
Subordinated debt	6,475,473	-
	<u>86,816,786</u>	<u>81,255,508</u>

The maturity of debt is as follows:

In one year or less or on demand	938,175	7,726,284
Between one year and two years	1,208,890	912,158
Between two years and five years	6,074,862	3,573,561
In five years or more	79,533,034	76,769,789
	<u>87,754,961</u>	<u>88,981,792</u>

The bank loan is repayable, by bi-annual instalments, from September 2011 ending July 2039. The loan bears an interest rate of 5.53% p.a. charged from September 2011.

The equity bridge loan provided by Miller Construction (UK) Limited bore an interest rate of 0% p.a. 42% of the equity bridge loan (SMBC Capital Markets, Barclays Capital and the Co-operative Bank) bore a rate of LIBOR + 0.7% p.a. and the remaining 58% bore a rate of LIBOR + 0.5% p.a. The equity bridge loan was repaid in September 2011. A further unsecured loan of £6,665,537 was provided by the shareholders of E4i Schools Limited's parent company, E4i Schools Holdings Limited, through subscription in loan instruments issued by E4i Schools Limited. The loan bears an interest rate of 12.4% p.a. charged from October 2011.

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 2012

(forming part of the accounts)

11. Share Capital

	31 March 2012	31 March 2011
	£	£
<i>Authorised, Allotted, called up and fully paid</i>		
1,000 Ordinary shares of £1	1,000	1,000
	<u> </u>	<u> </u>

12. Profit and loss account

	31 March 2012	31 March 2011
	£	£
Balance brought forward	378,359	25,029
Profit for year	690,424	353,330
	<u> </u>	<u> </u>
At end of year	<u>1,068,783</u>	<u>378,359</u>

13. Reconciliation of movement in shareholders' funds

	31 March 2012	31 March 2011
	£	£
Opening shareholders' funds	379,359	26,029
Profit for year	690,424	353,330
	<u> </u>	<u> </u>
Closing shareholders' funds	<u>1,069,783</u>	<u>379,359</u>

Notes – 31 March 2012

(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 2012	31 March 2011
	£	£
Operating loss	(277,675)	(21,625)
Decrease in finance lease debtor	454,230	-
Decrease / (increase) in debtors	869,726	(158,301)
Increase / (decrease) in creditors	162,821	(2,978,943)
	<u>1,209,102</u>	<u>(3,158,869)</u>

Returns on investments and servicing of finance

	31 March 2012	31 March 2011
	£	£
Interest received	5,960,363	1,677,588
Interest paid	(4,728,423)	(1,171,685)
	<u>1,231,940</u>	<u>505,903</u>

Capital expenditure and financial investment

	31 March 2012	31 March 2011
	£	£
Construction costs	(1,078,868)	(35,011,209)
	<u>(1,078,868)</u>	<u>(35,011,209)</u>

Financing

	31 March 2012	31 March 2011
	£	£
Loans drawn down	6,665,537	37,200,254
Loans repaid	(7,907,344)	-
	<u>(1,241,807)</u>	<u>37,200,254</u>

Notes – 31 March 2012

(forming part of the accounts)

15. Analysis of Net Debt

	At 1 April 2011	Cashflows	Non Cashflows	At 31 March 2012
	£	£	£	£
Cash	1,373,610	18,668	-	1,392,278
Debt Due in less than one year	(7,726,284)	6,773,133	14,976	(938,175)
Debt due in more than one year	(81,255,508)	(5,531,326)	(29,952)	(86,816,786)
Net Debt	(87,608,182)	1,260,475	(14,976)	(86,362,683)

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.

Miller Construction (UK) Limited owned Miller E4i Investments Limited, a shareholder of E4i Holdings Limited, up until 29 December 2011, at which point the shares were transferred to Equitix Education 2. During the year, the equity bridge loan provided previously by Miller Construction (UK) Limited to E4i Schools Limited of £2,842,509 was repaid. Miller E4i Investments Limited provided subordinated debt to E4i Schools Limited of £2,732,870 in October 2011. Interest during the year was £169,438 (2011: £nil).

During the year, Miller Construction (UK) Limited invoiced £833,294 (2011: £32,216,936) in respect of construction and professional services. At the end of the year, £nil (2011: £638,538) was owed to Miller Construction (UK) Limited for these services.

Forth Services Limited, a shareholder of E4i Holdings Limited, provided subordinated debt to E4i Schools Limited of £999,831 (2011: £nil) in October 2011. Interest during the year was £62,071 (2011: £nil). They also invoiced £22,862 (2011: £15,121) in respect of professional services, and FES FM Limited, a fellow group member of Forth Services Limited, invoiced £1,611,005 (2011: £564,291) in respect of facilities management services. At the end of the year £nil (2011: £nil) was owed to Forth Services Limited and £169,661 (2011: £57,096) was owed to FES FM Limited for these services.

Semperian PPP Investment Partners No 2 Limited, a shareholder of E4i Holdings Limited, provided subordinated debt to E4i Schools Limited of £1,666,384 (2011: £nil) in October 2011. Interest during the year was £103,452 (2011: £nil). They also invoiced £16,057 (2011: £15,242) in respect of professional services and Semperian Asset Management Limited, a fellow group member of Semperian PPP Investment Partners No 2 Limited, invoiced £46,842 (2011: £54,363) in management services. At the end of the year £nil (2011: £nil) was owed to Semperian PPP Investment Partners No 2 Limited and £5,621 (2011: £ nil) was owed to Semperian Asset Management Limited for these services.

Cyril Sweett Investments Limited, a shareholder of E4i Holdings Limited, provided subordinated debt to E4i Schools Limited of £1,266,452 (2011: £nil) in October 2011. Interest during the year was £78,623 (2011: £nil). They also invoiced £41,729 (2011: £182,139) in respect of professional services. At the end of the year £8,400 (2011: £8,163) was owed to Cyril Sweett Investments Limited and £7,666 (2011: £nil) was accrued for these services.

At the end of the year £3,953 (2011: £nil) was accrued against Equitix for professional services.

Notes – 31 March 2012

(forming part of the accounts)

17. Capital Commitments

As at 31 March 2012, E4i Schools Limited had capital commitments totalling £nil (2011: £794,074).

18. Ultimate parent company

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