E4i Holdings Limited

Directors' Report and Consolidated Financial Statements

For the year ended 31 March 2012
Registered Number SC342702

Directors' Report and Consolidated Financial Statements

Contents

Directors' Report

The Directors present their report and audited consolidated financial statements for the year ended 31 March 2012.

Principal Activity

The group comprises of E4i Holdings Limited and E4i Schools Limited.

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. E4i Holdings Limited was formed to hold the equity investment in E4i Schools Limited.

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 group during the year, the financial position at the end of the year and its prospects for the future to be satisfactory.

E4i Holdings Limited considers that it's main risks lie within the banking sector and ensuring that E4i Schools Limited is able to pay its funding costs. To do this, E4i Schools Limited needs to receive timely payment of its unitary charge. E4i Holdings 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 continue to invest in its subsidiary company and ensure that it is able to operate and maintain the schools 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 29th December 2011)
R Christie	(Appointed 29th December 2011)
B Dalgleish	(Resigned 31st March 2012)
F D'alonzo	(Appointed 29th December 2011)
D Fletcher	
K Gill	(Resigned 5th July 2012)
R Jack	
K McLellan	(Appointed 31st March 2012)
P McVey	(Resigned 29th December 2011)
S Rickwood	(Resigned 30th April 2011)
A Ritchie	

D Anderson *(Alternate Director)* (Resigned 5th 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 group and the company and of the profit or loss of the group 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 group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and 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 Holdings Limited

We have audited the group and parent company financial statements (the "financial statements") on pages 4 to 16. 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 group's and parent company's affairs as at 31 March 2012 and of the group's 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 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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

Consolidated Profit and Loss Account
for the year ended 31 March 2012

	Note	**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)
Gross profit		**189,864**	173,143
Administrative expenses		**(467,539)**	(194,768)
Operating loss		**(277,675)**	(21,625)
Interest receivable	*3*	**5,960,363**	1,677,588
Interest payable	*4*	**(4,743,399)**	(1,171,685)
Profit on ordinary activities before taxation	*5*	**939,289**	484,278
Taxation	*6*	**(248,865)**	(130,948)
Profit on ordinary activities after taxation		**690,424**	353,330

None of the group'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.

Consolidated Balance Sheet
at 31 March 2012

	Note	**As at 31 March 2012 £**	As at 31 March 2011 £
Current assets			
Amounts recoverable on long term contracts	8	-	63,409,856
Finance lease debtor recoverable within one year	8	**1,149,569**	1,067,184
Finance lease debtor recoverable after more than one year	8	**87,459,478**	23,507,369
Debtors	9	**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	10	**(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	11	**(86,816,786)**	(81,255,508)
Net assets		**1,069,783**	379,359
Capital and reserves			
Called up share capital	12	**1,000**	1,000
Profit and loss account	13	**1,068,783**	378,359
Equity shareholders' funds	14	**1,069,783**	379,359

The financial statements on pages 4 to 16 were approved by the board of directors and authorised for issue on ......19 Sep 12..........................and are signed on its behalf by:

A Ritchie
Director

Registered Number SC342702

Company Balance Sheet
as at 31 March 2012

	Note	**As at 31 March 2012 £**	*Restated* As at 31 March 2011 £
Fixed Assets			
Unlisted investments	*7*	**1,000**	1,000
Net Assets		**1,000**	1,000
Capital and reserves			
Called up share capital	*12*	**1,000**	1,000
Profit and loss account	*13*	**-**	-
Equity shareholders' Funds	*14*	**1,000**	1,000

The financial statements on pages 4 to 16 were approved by the board of directors and authorised for issue on .....19 Sep 12.........................and are signed on its behalf by:

A Ritchie
Director

Registered Number SC342702

Consolidated Cashflow Statement
at 31 March 2012

	Note	**As at 31 March 2012 £**	As at 31 March 2011 £
Cash flow from operating activities	*15*	**1,209,102**	(3,158,869)
Returns on investments and servicing of finance	*15*	**1,231,940**	505,903
Taxation		**(101,699)**	(6,654)
Capital expenditure and financial investment	*15*	**(1,078,868)**	(35,011,209)
		1,260,475	(37,670,829)
Cash outflow before financing		**1,260,475**	(37,670,829)
Financing	*15*	**(1,241,807)**	37,200,254
Increase/(decrease) in cash in year		**18,668**	(470,575)

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)**	-
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)
Net debt at 31 March 2012	**(86,362,683)**	(87,608,182)

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 group'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 financial statements have been prepared on a going concern basis as the financial projections indicate that sufficient funds will be generated to allow ongoing obligations to be met as they fall due. There is an assumption that ongoing support will be received from E4i Schools bankers and a current expectation that the PFI project in which the group is participating 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.

Basis of consolidation
The group financial statements consolidate the financial statements of E4i Holdings Limited and its subsidiary, E4i Schools Limited for the year ended 31 March 2012. All intra-group transactions and balances are eliminated on consolidation. The company has taken exemption from presenting an unconsolidated Profit and Loss Account under section 408 of the Companies Act 2006. The company made a profit of £nil *(2011: £nil)*.

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 year 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 they relate to the construction year.

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.

Investments
Long term investments are classified as fixed assets and are included at cost. Provision is made for any impairment in the value of fixed asset investments.

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
	65,279	61,792

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
	5,960,363	1,677,588

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**	-
	4,743,399	1,171,685

5. Profit on ordinary activities before taxation

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

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**	
Total current tax (per note b)	**248,865**	130,948
Deferred tax	**-**	-
Tax on profit on ordinary activities	**248,865**	130,948

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)
	248,865	130,948

7. Investments

The company had the following interest in a subsidiary undertaking

	Investments in subsidiary undertakings £
Cost	
At 1 April 2011	**1,000**
Additions	**-**
At 31 March 2012	**1,000**

The company owns 100% of the ordinary share capital of E4i Schools Limited, a company incorporated in Scotland. 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 PPP contract with Inverclyde Council. The results for E4i Schools Limited have been consolidated within these accounts.

Notes – 31 March 2012
(forming part of the accounts)

8. 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%.

9. Debtors: amounts falling due within one year

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

10. Creditors : amounts falling due within one year

Group	**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
	2,128,439	8,606,561

Notes – 31 March 2012

(forming part of the accounts)

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

Group	**As at 31 March 2012** **£**	As at 31 March 2011 £
Bank loan	**80,341,313**	81,255,508
Subordinated debt	**6,475,473**	-
	86,816,786	81,255,508
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
	87,754,961	88,981,792

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.

Under the agreement, the parent company pledges as security its interest in the shares of the subsidiary company.

Notes – 31 March 2012
(forming part of the accounts)

12. Share Capital

Group	31 March 2012	31 March 2011
	£	£
Authorised, Allotted, called up and fully paid		
1,000 Ordinary shares of £1	1,000	1,000

Company	31 March 2012	31 March 2011
	£	£
Authorised, Allotted, called up and fully paid		
1,000 Ordinary shares of £1	1,000	1,000

13. Profit and loss account

Group	31 March 2012	31 March 2011
	£	£
Balance brought forward for the financial year	378,359	25,029
Profit in year	690,424	353,330
At end of year	1,068,783	378,359

Company	31 March 2012	31 March 2011
	£	£
Balance brought forward for the financial year	-	-
Profit in year	-	-
At end of year	-	-

Notes – 31 March 2012

(forming part of the accounts)

14. Reconciliation of movement in shareholders' funds

Group	**As at 31 March 2012**	As at 31 March 2011
	£	£
Opening shareholders' funds	**379,359**	26,029
Profit for year	**690,424**	353,330
Closing shareholders' funds	**1,069,783**	379,359

Company	**31 March 2012**	31 March 2011
	£	£
Opening shareholders' funds	**1,000**	1,000
Result for year	**-**	-
Closing shareholders' funds	**1,000**	1,000

15. 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)
	1,209,102	(3,158,869)

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)
	1,231,940	505,903

Notes – 31 March 2012

(forming part of the accounts)

15. Analysis of cashflows for headings netted in the cash flow statement (continued)

Capital expenditure and financial investment

	31 March 2012	31 March 2011
	£	£
Construction costs	**(1,078,868)**	(35,011,209)
	(1,078,868)	(35,011,209)

Financing

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

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 transactions mentioned below are between E4i Schools Limited and the shareholders of the E4i Holdings Limited, the immediate parent company of E4i Schools Limited.

Miller Construction (UK) Limited owned Miller E4i Investments Limited, which is a shareholder of E4i Holdings Limited, up until 29 December 2011 when 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.

Notes – 31 March 2012
(forming part of the accounts)

16. Transactions with Related Parties (continued)

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.

17. Capital Commitments

As at 31 March 2012, the Group had capital commitments totalling £nil *(2011: £794,074)*.

18. Prior Period Adjustment

Company

It has been identified that the accounting treatment adopted in respect of the equity bridge loan did not fully reflect the substance of the legal agreements. The loan was incorrectly shown as being provided to E4i Holdings Limited by it's shareholders and being passed to E4i Schools Limited by E4i Holdings Limited. As per of the agreement however, the loan was made directly to E4i Schools Limited.

An adjustment has been made in the prior year comparative figures of E4i Holdings Limited to remove the loan of £6,752,941 from both debtors due within one year and creditors due within one year. Interest payable and receivable of £40,800 has also been removed. There is no impact on the net assets of the company or group or on it's profit for the year.