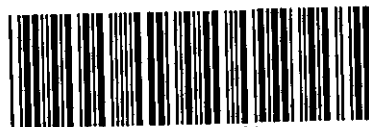


# **Emblem Schools Limited**

## **Directors' Report and Financial Statements**

For the year ended 31 March 2009  
Registered Number SC237891

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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 Emblem Schools Limited	3
Profit and Loss Account	4
Balance Sheet	5
Cashflow	6
Notes	7 -13

## Directors' Report

The Directors present their report and audited financial statements for the year ended 31 March 2009.

### Principal Activity and Review of business & future developments

The company is a wholly owned subsidiary of Emblem Schools (Holdings) Limited.

The principal activity of the company is to design, build and maintain 10 new schools within Fife under a PFI contract with Fife Council.

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

Emblem Schools Limited's future plans are to operate and maintain the schools until the end of the concession period.

Emblem Schools Limited considers that its main risks and uncertainties lie within the banking sector and ensuring that it is able to pay its funding costs. To do this, Emblem Schools Limited needs to receive timely payment of its unitary charge.

### Results and Dividend

The results for the period are set out in the attached Profit and Loss Account. The loss for the period after taxation is £42,294 (2008: £173,500 profit).

### Directors and Directors' Interests

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

A Ritchie	(Appointed 21 <sup>st</sup> May 2009)
A Scott (Alternate Director)	
A Bremner	
A Bruce (Alternate Director)	(Resigned 6 <sup>th</sup> November 2008)
D Anderson	(Resigned 13 <sup>th</sup> May 2008)
D Fletcher	
J Park (Alternate Director)	
K Gillespie	(Appointed 8 <sup>th</sup> August 2008)
M Baxter	
M Smith	
M Watt	(Resigned 21 <sup>st</sup> May 2009)
P McVey	
R Jack	

None of the directors have any interest in the share capital of the company.

### Auditors

Baker Tilly UK Audit LLP offer themselves for re-appointment in accordance with Section 385 of the Companies Act.



Chairman/Director

28/09/09

## **Statement of Directors' Responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- a. select suitable accounting policies and then apply them consistently;
- b. make judgments and 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 proper accounting records that 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 1985. 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.

### **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.

## Independent Auditors' Report to the Members of Emblem Schools Limited

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

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 31 March 2008 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*BAKER TILLY UK AUDIT LLP*  
BAKER TILLY UK AUDIT LLP

Registered Auditor

First Floor, Quay 2

139 Fountain Bridge

Edinburgh EH3 9QG

*29/4/09*

**Profit and Loss Account**  
*for the year ended 31 March 2009*

	Note	Year ended 31 March 2009 £	Year ended 31 March 2008 £
<b>Turnover</b>		<b>6,165,268</b>	17,732,771
<b>Cost of Sales</b>		<b>(2,206,372)</b>	(13,773,353)
<b>Gross Profit</b>		<b>3,958,896</b>	3,959,418
<b>Administrative Expenses</b>		<b>(332,771)</b>	(342,461)
<b>Operating Profit</b>		<b>3,626,125</b>	3,616,957
Interest receivable	4	46,652	86,398
Interest payable	5	(3,648,147)	(3,455,498)
<b>Profit on ordinary activities before taxation</b>	3	<b>24,630</b>	247,857
<b>Taxation</b>	6	<b>(66,924)</b>	(74,357)
<b>Loss / (Profit) on ordinary activities after taxation</b>		<b>(42,294)</b>	173,500

None of the company's activities were acquired or discontinued during the above two financial periods.

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 2009**

	Note	As at 31 March 2009 £	As at 31 March 2008 £
<b>Current Assets</b>			
Finance Lease Debtor : amounts falling due within one year	7	1,198,986	1,135,000
Finance Lease Debtor : amounts falling due after more than one year	7	53,359,511	54,256,822
Debtors	8	315,033	1,087,053
Cash at bank and in hand		1,381,834	742,345
		<hr/> 56,255,364	<hr/> 57,221,220
<b>Creditors : amounts falling due within one year</b>	9	<b>(2,415,718)</b>	<b>(1,967,871)</b>
		<hr/> 53,839,646	<hr/> 55,253,349
<b>Current assets less current liabilities</b>			
<b>Creditors : amounts falling due after more than one year</b>	10	<b>(54,239,706)</b>	<b>(55,611,115)</b>
		<hr/> (400,060)	<hr/> (357,766)
<b>Net assets</b>		<hr/> (400,060)	<hr/> (357,766)
<b>Capital and reserves</b>			
Called up share capital	11	130,000	130,000
Profit and loss account	12	(530,060)	(487,766)
		<hr/> (400,060)	<hr/> (357,766)
<b>Equity shareholders' funds</b>	13	<b>(400,060)</b>	<b>(357,766)</b>
		<hr/> (400,060)	<hr/> (357,766)

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



Chairman/Director 28/09/09

**Cashflow**  
**As at 31 March 2009**

	Note	As at 31 March 2009 £	As at 31 March 2008 £
Cash flow from operating activities	14	4,644,653	2,622,687
Returns on investments	14	(3,601,496)	(3,369,100)
Capital expenditure and financial investment	14	833,327	(975,437)
		<hr/> 1,876,484	<hr/> (1,721,850)
<b>Cash Inflow / (Outflow) before management of liquid resources financing</b>		<b>1,876,484</b>	<b>(1,721,850)</b>
Financing	14	(1,236,994)	(615,271)
		<hr/> 639,490	<hr/> (2,337,121)
<b>Increase/(Decrease) in cash in period</b>		<b>639,490</b>	<b>(2,337,121)</b>

**Reconciliation of Net cash flow to movement of Net Debt**

	As at 31 March 2009 £	As at 31 March 2008 £
Increase/(Decrease) in cash in the period	639,490	(2,337,121)
Change in net debt resulting from cash flows	(2,515,974)	4,058,971
	<hr/> (1,876,484)	<hr/> 1,721,850
Movement in net debt in the period	(1,876,484)	1,721,850
Net debt at 1 April 2008	56,089,558	54,367,708
	<hr/> 54,213,074	<hr/> 56,089,558
Net debt at 31 March 2009	54,213,074	56,089,558



## Notes – 31 March 2009

*(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 in accordance with applicable accounting standards in the United Kingdom.

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements have been prepared on the 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.

#### ***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 periods over the operating life of the instrument to which they relate at a constant rate on the carrying amount.

#### ***Work in progress/ Finance Lease Debtor***

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.

In accordance with Financial Reporting Standard (FRS 5) Application Note F, the costs at the end of the construction phase will be recorded as a Finance Debtor on the balance sheet

## Notes – 31 March 2009

*(forming part of the accounts)*

### 2. Directors' Remuneration

	Year ended 31 March 2009 £	Year ended 31 March 2008 £
Amounts paid to third parties in consideration for services of directors	70,018	35,141
Amounts paid to other directors	5,300	1,301
	<u>75,318</u>	<u>36,442</u>

The company has no directly employed personnel.

### 3. Profit on ordinary activities before taxation

	Year ended 31 March 2009 £	Year ended 31 March 2008 £
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Auditors Remuneration;		
- Audit Fees	7,000	6,500
- Other services	4,000	3,500
	<u>11,000</u>	<u>10,000</u>

### 4. Interest receivable

	Year ended 31 March 2009 £	Year ended 31 March 2008 £
On deposits	46,652	86,398
	<u>46,652</u>	<u>86,398</u>

### 5. Interest payable

	Year ended 31 March 2009 £	Year ended 31 March 2008 £
Loan interest	(3,648,147)	(3,455,498)
	<u>(3,648,147)</u>	<u>(3,455,498)</u>

## Notes – 31 March 2009

(forming part of the accounts)

### 6. Tax on profit and Ordinary Activities

	Year ended 31 March 2009 £	Year ended 31 March 2008 £
a) Analysis of charge in period		
Current Tax:		
UK Corporation tax on profits of the period	5,075	25,919
Adjustment in respect of previous periods	(8,640)	
	<hr/>	<hr/>
Total current tax (per note b)	(3,565)	25,919
Deferred Tax	70,489	48,438
Adjustment in respect of previous periods	-	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	66,924	74,357
	<hr/>	<hr/>
b) Factors affecting tax charge for the period		
The tax assessed for the period differs from the small companies rate of corporation tax 21% (2008: 30%)		
The differences are explained as follows:		
Profit/(Loss) on ordinary activities multiplied by 21% (2008: 30%)	(5,075)	74,357
Losses carried forward	(70,489)	(48,438)
Rate change - losses	70,489	-
Adjustment in respect of previous periods	(8,640)	-
	<hr/>	<hr/>
Current tax charge for the period (note a)	(3,565)	25,919
	<hr/>	<hr/>
<b>Deferred Taxation</b>		
The deferred tax (asset) which has been recognised in the accounts is as follows:		
Trade losses	(164,473)	(234,962)
	<hr/>	<hr/>
	(164,473)	(234,962)
	<hr/>	<hr/>

### 7. Finance lease debtor

The finance lease debtor includes capitalised interest of £2,472,175 (2008: £2,472,225).

## Notes – 31 March 2009

(forming part of the accounts)

### 8. Debtors

	As at 31 March 2009 £	As at 31 March 2008 £
Prepayments	67,800	84,395
Trade Debtors	79,195	767,696
Tax Debtor	3,565	-
Deferred Tax Asset	164,473	234,962
	<u>315,033</u>	<u>1,087,053</u>

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

	As at 31 March 2009 £	As at 31 March 2008 £
Trade creditors	242,813	176,998
Corporation Tax Creditor	-	25,919
Accruals	688,029	466,521
VAT	129,673	77,645
Bank loan at fixed rate, repayable in instalments commencing September 2008	1,355,203	1,220,788
	<u>2,415,718</u>	<u>1,967,871</u>

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

	As at 31 March 2009 £	As at 31 March 2008 £
Bank loan at fixed rate, repayable in instalments commencing September 2008	48,755,876	50,126,774
Loan from parent company	5,483,830	5,484,341
	<u>54,239,706</u>	<u>55,611,115</u>

The maturity of debt is as follows:

In one year or less or on demand	1,355,203	1,220,788
Between one year and two years	1,432,384	1,355,203
Between two years and five years	8,799,817	8,220,470
In five years or more	44,007,505	46,035,442
	<u>55,594,909</u>	<u>56,831,903</u>

## Notes – 31 March 2009

(forming part of the accounts)

The bank loan is repayable, by quarterly instalments over 25 years, that commenced September 2008 and ending September 2032. The loan bears an interest rate of 5.64% p.a. (2008: 5.64% p.a.).

The loan from the parent company is repayable, by bi-annual instalments over 2 years commencing September 2030 and ending September 2032. The loan bears an interest rate of 13.75% p.a. (2008: 13.75% 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, Emblem Schools (Holdings) Limited. Under the agreement the parent company pledges as security its interest in the shares and shareholders loans.

### 11. Share Capital

	As at 31 March 2009	As at 31 March 2008
	£	£
<i>Authorised, Allotted, called up and fully paid</i>		
1 Ordinary share of £1	130,000	130,000
	<u>130,000</u>	<u>130,000</u>

### 12. Profit and loss account

	As at 31 March 2009	As at 31 March 2008
	£	£
Loss carried forward for the financial period	(487,766)	(661,266)
Movement in year	(42,294)	173,500
	<u>(530,060)</u>	<u>(487,766)</u>
At end of period	<u>(530,060)</u>	<u>(487,766)</u>

### 13. Reconciliation of movement in shareholders' funds

	As at 31 March 2009	As at 31 March 2008
	£	£
Opening shareholders' funds	(357,766)	(531,266)
Share capital issued	-	-
(Loss)/Profit for period	(42,294)	173,500
	<u>(400,060)</u>	<u>(357,766)</u>
Closing shareholders' funds	<u>(400,060)</u>	<u>(357,766)</u>

## Notes – 31 March 2009

(forming part of the accounts)

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

#### Reconciliation of Net Cash flow to movement in net debt

	As at 31 March 2009	As at 31 March 2008
	£	£
Operating profit	3,626,125	3,616,957
Decrease in Debtors	705,096	317,665
Increase/ (Decrease) in Creditors	313,432	(1,311,935)
	<hr/> 4,644,653 <hr/>	<hr/> 2,622,687 <hr/>

#### Returns on investments and servicing of finance

	As at 31 March 2009	As at 31 March 2008
	£	£
Interest received	46,652	86,398
Interest paid	(3,648,147)	(3,455,498)
	<hr/> (3,601,496) <hr/>	<hr/> (3,369,100) <hr/>

#### Capital Expenditure and financial investment

	As at 31 March 2009	As at 31 March 2008
	£	£
Construction costs	-	(975,437)
Finance lease debtor receipts	833,326	-
	<hr/> 833,326 <hr/>	<hr/> (975,437) <hr/>

#### Financing

	As at 31 March 2009	As at 31 March 2008
	£	£
Debt received	-	545,893
Debt repaid	(1,236,994)	(1,161,164)
	<hr/> (1,236,994) <hr/>	<hr/> (615,271) <hr/>

## Notes – 31 March 2009

(forming part of the accounts)

### 15. Transactions with Related Parties

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

Emblem Schools (Holdings) Ltd, the ultimate parent company, previously provided an inter company loan of £5,483,830 (2008: £5,484,341) to Emblem Schools Limited. This loan remains outstanding at 31 March 2009.

During the period, Miller Construction (UK) Ltd invoiced £367,288 (2008: £1,154,836) in respect of construction & professional services. At the end of the period £nil (2008: £7,583) was owed to Miller Construction (UK) Ltd for professional services.

During the period, FES FM Limited invoiced £1,908,054 (2008: £1,185,046) in respect of professional services. At the end of the period £223,354 (2008: £131,821) was owed to FES Limited for professional services.

During the period, PFI Infrastructure Finance Limited invoiced £106,809 (2008: £10,000) in respect of professional services.

During the period, BOS Infrastructure Limited invoiced £110,609 (2008: £36,852) in respect of professional services. At the end of the period, The Bank of Scotland PLC was owed £11,500 (2008: £ nil) for professional services and £50,638,079 (2008: £51,874,562) of bank loan, including arrangement fees of £527,000.

### 16. Capital Commitments

At the 31 March 2009 Emblem Schools Limited had no capital commitments (2008: £ nil).

### 17. Ultimate parent company

The company's ultimate parent company is Emblem Schools (Holdings) Ltd, which is registered and incorporated in Great Britain.

### 18. Going Concern

The company financial statements have been prepared on a going concern basis on the assumption that ongoing support will be received from Emblem Schools (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.