

# **Emblem Schools Limited**

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

For the year ended 31 March 2011

Registered Number SC237891



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

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## Directors' Report

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

### Principal Activity

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.

### Review of business & future developments

The directors consider the performance of the company during the period, the financial position at the end of the year 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, ensuring that it is able to pay its funding costs and the final account with the contractor and Fife Council which is still to be resolved for which Emblem Schools Limited has accrued all potential liability. Emblem Schools Limited needs to receive timely payment of its unitary charge and is in ongoing discussions to resolve the final account. Emblem Schools Limited monitors actual performance against plan being the financial close model on a quarterly basis and this is reported to the board. There are no major variances to date. The financial model is updated on a semi-annual basis for actual performance to ensure banking covenants are not breached.

### Results and Dividend

The results for the period are set out in the attached Profit and Loss Account. The loss for the year after taxation is £110,337 (2010: £129,335).

### Directors

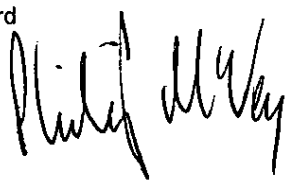
The Directors who held office during the period were as follows:

A Scott (Alternate Director)	(Resigned 19 <sup>th</sup> November 2010)
A Bremner	(Resigned 2 <sup>nd</sup> February 2011)
BLIF Corporate Services Limited	(Appointed 4 <sup>th</sup> March 2011)
D Fletcher	
D Gilmour	(Appointed 4 <sup>th</sup> March 2011)
J Park (Alternate Director)	
K Gillespie	
M Baxter	
M Smith	
P McVey	
P Verrapen	(Appointed 7 <sup>th</sup> July 2010, Resigned 4 <sup>th</sup> March 2011)
R Jack	
V Bradley	(Resigned 4 <sup>th</sup> March 2011)

### 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



Philip McVey  
Director

## **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 Emblem Schools Limited

We have audited the financial statements on pages 4 to 12.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

As more fully explained in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its loss 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

14/9/11

**Profit and Loss Account**  
*for the year ended 31 March 2011*

	<i>Note</i>	Year ended 31 March 2011 £	Year ended 31 March 2010 £
<b>Turnover</b>		<b>2,443,524</b>	2,321,199
Cost of Sales		<b>(1,610,197)</b>	(1,629,687)
<b>Gross Profit</b>		<b>833,327</b>	691,512
Administrative Expenses		<b>(443,144)</b>	(370,248)
<b>Operating Profit</b>		<b>390,183</b>	321,264
Interest receivable	4	<b>2,965,858</b>	3,083,074
Interest payable	5	<b>(3,483,068)</b>	(3,567,298)
<b>(Loss) on ordinary activities before taxation</b>	3	<b>(127,027)</b>	(162,960)
Taxation	6	<b>16,690</b>	33,625
<b>(Loss) on ordinary activities after taxation</b>		<b>(110,337)</b>	(129,335)

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

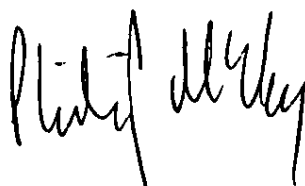
No separate Statement of Total Recognised Gains and Losses has been presented as all gains and losses have been dealt with in the Profit and Loss account.

**Balance Sheet**  
**As at 31 March 2011**

	Note	As at 31 March 2011 £	As at 31 March 2010 £
<b>Current Assets</b>			
Finance Lease Debtor : amounts falling due within one year	7	1,413,413	1,284,000
Finance Lease Debtor : amounts falling due after more than one year	7	49,886,882	51,713,538
Debtors	8	1,031,598	1,022,084
Cash at bank and in hand		397,492	418,778
		<u>52,729,385</u>	<u>54,438,400</u>
<b>Creditors : amounts falling due within one year</b>	9	<u>(2,024,521)</u>	<u>(2,116,270)</u>
<b>Current assets less current liabilities</b>		<b>50,704,864</b>	<b>52,322,130</b>
<b>Creditors : amounts falling due after more than one year</b>	10	<u>(51,344,596)</u>	<u>(52,851,525)</u>
<b>Net Liabilities</b>		<u><b>(639,732)</b></u>	<u><b>(529,395)</b></u>
<b>Capital and reserves</b>			
Called up share capital	11	130,000	130,000
Profit and loss account	12	(769,732)	(659,395)
<b>Equity shareholders' funds</b>	13	<u><b>(639,732)</b></u>	<u><b>(529,395)</b></u>

The financial statements on pages 4 to 12 were approved by the board of directors and authorised for issue on 11/9/11 and are signed on its behalf by:

Philip McVey  
Director



6/9/11

Registered Number SC237891

## Notes – 31 March 2011

*(forming part of the accounts)*

### 1. Accounting policies

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

#### ***Basis of preparation***

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

#### ***Cash Flow Statement***

The company is exempt from the requirement of Financial Reporting Standard 1 to prepare a cash flow statement on the grounds of its size.

#### ***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.

#### ***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.



## Notes – 31 March 2011

(forming part of the accounts)

### 1. Accounting policies (continued)

#### *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 were 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) Application Note F, the costs at the end of the construction phase are recorded as a Finance Debtor on the balance sheet.

### 2. Directors' Remuneration

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
Amounts paid to third parties in consideration for services of directors	139,459	89,730
Amounts paid to other directors	7,211	5,500
	<u>146,670</u>	<u>95,230</u>

The company has no directly employed personnel.

### 3. Profit on ordinary activities before taxation

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Auditors Remuneration;		
- Audit Fees	7,000	6,500
- Other services	3,785	3,500
	<u>10,785</u>	<u>10,000</u>

### 4. Interest receivable

	Year ended 31 March 2011 £	Year ended 31 March 2010 £
On deposits	-	6,877
On finance lease debtor	2,965,858	3,076,197
	<u>2,965,858</u>	<u>3,083,074</u>

## Notes – 31 March 2011

(forming part of the accounts)

### 5. Interest payable and similar items

	Year ended 31 March 2011	Year ended 31 March 2010
	£	£
Bank Loan interest	2,685,604	2,766,085
Bank interest	143	3,727
Sub Debt interest	770,361	770,526
Amortisation of arrangement fee	26,960	26,960
	<u>3,483,068</u>	<u>3,567,298</u>

### 6. Tax on profit and Ordinary Activities

	Year ended 31 March 2011	Year ended 31 March 2010
	£	£
a) Analysis of charge in period		
Current Tax:		
UK Corporation tax on profits of the period	-	-
Adjustment in respect of previous periods		(15,076)
	<u>-</u>	<u>(15,076)</u>
Total current tax (per note b)		(15,076)
Deferred Tax	(16,690)	(18,549)
Adjustment in respect of previous periods	-	-
	<u>(16,690)</u>	<u>(18,549)</u>
Tax on profit on ordinary activities	<u>(16,690)</u>	<u>(33,625)</u>
b) Factors affecting tax charge for the period		
The tax assessed for the period differs from the small companies rate of corporation tax 21% (2010: 21%)		
The differences are explained as follows:		
(Loss)/Profit on ordinary activities multiplied by 21% (2010: 21%)	(26,676)	(34,222)
Losses carried forward	-	18,549
Effect of rate change	-	-
Adjustment in respect of previous periods	9,986	(15,076)
Losses carried back	-	15,673
	<u>(16,690)</u>	<u>(15,076)</u>
Current tax charge for the period (note a)	<u>(16,690)</u>	<u>(15,076)</u>
<b>Deferred Taxation</b>		
The deferred tax (asset) which has been recognised in the accounts is as follows:		
Trade losses	<u>(199,713)</u>	<u>(183,023)</u>

## Notes – 31 March 2011

(forming part of the accounts)

### 7. Finance lease debtor

The finance lease debtor includes capitalised interest of £2,472,225 (2010: £2,472,225).

### 8. Debtors

	As at 31 March 2011	As at 31 March 2010
	£	£
Prepayments	24,614	25,920
Trade Debtors	807,320	794,501
Tax Debtor	(49)	18,640
Deferred Tax Asset (Note 6)	199,713	183,023
	<hr/> 1,031,598 <hr/>	<hr/> 1,022,084 <hr/>

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

	As at 31 March 2011	As at 31 March 2010
	£	£
Trade creditors	25,318	256,623
Accruals	310,666	313,091
VAT	177,994	126,341
Bank loan at fixed rate, repayable in instalments commencing September 2008	1,532,703	1,442,375
Arrangement Fee	(22,160)	(22,160)
	<hr/> 2,024,521 <hr/>	<hr/> 2,116,270 <hr/>

## Notes – 31 March 2011

*(forming part of the accounts)*

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

	As at 31 March 2011 £	As at 31 March 2010 £
Bank loan at fixed rate, repayable in instalments commencing September 2008	46,292,886	47,826,775
Arrangement Fee	(445,480)	(467,640)
Loan from parent company	5,603,830	5,603,830
Sub Debt Arrangement Fee	(106,640)	(111,440)
	<hr/> 51,344,596 <hr/>	<hr/> 52,851,525 <hr/>
The maturity of debt is as follows:		
In one year or less or on demand	1,510,543	1,420,215
Between one year and two years	3,634,764	1,510,544
Between two years and five years	6,318,334	5,252,162
In five years or more	41,391,498	46,088,819
	<hr/> 52,855,139 <hr/>	<hr/> 54,271,740 <hr/>

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. (2010: 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. (2010: 13.75% p.a.)

Bank loans are secured by a floating charge over the assets of the company, an assignment 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 2011 £	As at 31 March 2010 £
<i>Authorised, Allotted, called up and fully paid</i>		
1 Ordinary share of £1	130,000	130,000
	<hr/>	<hr/>

## Notes – 31 March 2011

(forming part of the accounts)

### 12. Profit and loss account

	As at 31 March 2011 £	As at 31 March 2010 £
Loss carried forward for the financial period	(659,395)	(530,060)
Movement in year	(110,337)	(129,335)
	<hr/>	<hr/>
At end of period	(769,732)	(659,395)
	<hr/>	<hr/>

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

	As at 31 March 2011 £	As at 31 March 2010 £
Opening shareholders' funds	(529,395)	(400,060)
(Loss) / Profit for period	(110,337)	(129,335)
	<hr/>	<hr/>
Closing shareholders' funds	(639,732)	(529,395)
	<hr/>	<hr/>

### 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, provided an inter company loan of £5,497,190 (2010: £5,492,390) to Emblem Schools Limited. This loan remains outstanding at 31 March 2011. Interest of £775,161 (2010: £770,526) was payable in the year on this loan.

During the period, Miller Construction (UK) Ltd, an investor in Emblem Schools (Holdings) Limited, invoiced £92,956 (2010: £87,148) in respect of construction & professional services. At the end of the period £nil (2010: £4,467) was included in accruals and owed to Miller Construction (UK) Ltd for professional services.

During the period, FES FM Limited, an associate company of Forth Management Limited, an investor in Emblem Schools (Holdings) Limited, invoiced £1,610,197 (2010: £1,874,435) in respect of professional services. At the end of the period £21,118 (2010: £256,623) was owed to FES Limited for professional services.

During the period, Forth Management Limited, an investor in Emblem Schools (Holdings) Limited, invoiced £12,913 (2010: £14,564) in respect of professional services. At the end of the period £12,913 (2010: £nil) was included in accruals to Forth Management Limited for professional services.

During the period, PFI Infrastructure Limited, an investor in Emblem Schools (Holdings) Limited, invoiced £nil (2010: £nil) in respect of professional services. At the end of the period £68,951 (2010: £32,134) was included in accruals and was owed to PFI Infrastructure Limited.

## Notes – 31 March 2011

*(forming part of the accounts)*

### 15. Transactions with Related Parties (continued)

During the period, The BoS Infrastructure (No3) Limited, an investor in Emblem Schools (Holdings) Limited, invoiced £46,149 (2010: £20,000) in respect of professional services. At the end of the period, £33,601 (2010: £11,067) was included in accruals and was owed for professional services. Bank of Scotland PLC was owed £47,825,588 (2010: £49,269,150) of bank loan, including arrangement fees of £445,480 (2010: £489,800) was outstanding at the year end.

### 16. Capital Commitments

At the 31 March 2011 Emblem Schools Limited had no capital commitments (2010: £ nil).

### 17. Ultimate parent company

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