Annual Report and Consolidated Financial Statements

Alpha Schools (Highland) Holdings Limited

For the Year Ended 31 January 2013

Company No. 05508168

Officers and professional advisers

Company registration number	05508168
Registered office	20 Churchill Place London E14 5HJ
Directors	G A Quaife J Boags (resigned 22 March 2013) H O'Gorman (resigned 22 March 2013)
Secretary	State Street Secretaries (UK) Limited (UK) Limited
Bankers	Royal Bank of Scotland Plc 142 - 144 Princes Street EH2 4EQ
Independent Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditors 7 Exchange Crescent Edinburgh EH3 8AN

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Report of the director

The director submits his report and the audited consolidated financial statements for the year ended 31 January 2013

Business review and principal activities

The Company is a Special Purpose Company whose sole business is to act as a holding company for Alpha Schools (Highland) Limited and Alpha Schools (Highland) Project Plc (together "the Group")

Alpha Schools (Highland) Limited entered into a Private Finance Initiative ("PFI") contract with The Highland Council on 6 April 2006 to design, build and finance eleven primary and secondary schools and provide certain facilities management services within these schools

As part of this contract, Alpha Schools (Highland) Limited also entered into a fixed-price, date certain sub-contract with Morrison Construction Limited to design and build the schools Construction of the schools was completed in July 2009

The PFI project has been financed primarily by the issue of fixed rate bonds of £81,405,210 and a loan facility provided by the European Investment Bank ("EIB") of £60,000,000 The proceeds of both the bond issue and loan facility have been lent to Alpha Schools (Highland) Limited by Alpha Schools (Highland) Project Plc, a Special Purpose Company established to issue the debt and enter into the main finance documents of the contract

The first school was made available to The Highland Council on 26 March 2007 and the term of the PFI contract is 30 years from this date The Group receives service payments from The Highland Council for each school as it becomes available Full service payments are now being received for all eleven schools The Group has therefore generated turnover of £18,540,376 (2012 £18,142,720) during the current financial year The construction and other related costs of building have been treated as a financial asset which will be repaid over the life of the contract

The principal risk facing the Group is the inability to meet its obligations in respect of interest and principal repayments on the bonds and EIB loan A Financial Guarantee provided by Ambac Assurance UK Limited ("Ambac") is in place to manage this risk Under the terms of the Guarantee, Ambac unconditionally and irrevocably agrees to pay all sums due and payable by Alpha Schools (Highland) Project Plc in the event that Alpha Schools (Highland) Project Plc fails to pay

In order to meets its contractual obligations, Alpha Schools (Highland) Project Plc is dependent on receipt of funds from Alpha Schools (Highland) Limited and therefore is dependent on the successful operation of Alpha Schools (Highland) Limited and the PFI contract in general The contractual arrangements for the PFI contract have however been structured to minimise the risks retained by Alpha Schools (Highland) Limited and there are various security and contractual arrangements in place to protect Alpha Schools (Highland) Limited from default or non-performance by any sub-contractors Alpha Schools (Highland) Holdings Limited has also guaranteed the obligations of Alpha Schools (Highland) Limited to the Company under the Intercompany On-Loan Agreements It is due to the contractual arrangements that are in place, and the certainty of the service payments being received by The Highland Council that the director has adopted the going concern basis of accounting

Report of the director (continued)

Future developments

The director does not anticipate any changes in the Group's activities

Summary of key performance indicators

The director has monitored the progress of the overall Group strategy and the individual strategic elements by reference to certain financial and non-financial indicators, and is satisfied with the Group's performance

	2013	2012	**Method of calculation**
Net debt	**£134,262,272**	£138,273,782	Total net debt at balance sheet date
Performance and availability deductions	**0.06%**	1%	Percentage of turnover

Performance and availability deductions incurred during the year were of a minimal level All performance and availability deductions incurred by the Company have been passed on in full to Morrison Facilities Services Limited

Results and dividends

The results for the year are set out on page 9 The profit for the year amounted to £2,249,350 (2012 £2,122,640) and has been transferred to reserves Dividends of £750,000 were declared in the year (2012 £1,400,000)

Directors and their interests

The directors of the Company who held office during the year and to date are as follows

G A Quaife
J Boags (resigned 22 March 2013)
H O'Gorman (resigned 22 March 2013)

In accordance with the Company's Articles of Association, none of its directors are required to retire None of the directors who held office at the beginning or end of the year had any interests in the shares of the Company

Report of the director (continued)

Director's Responsibilities Statement

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Generally Accounting Standards and applicable laws) Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of and profit or loss of the Company for that period In preparing those financial statements, the director is required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The director is 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 He is 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

The director confirms that

- so far as the director is aware there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information

Financial risk management objectives and policies

The Group's financial risk management objectives and exposures have been set out in note 11 of these financial statements

Report of the director (continued)

Auditor

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 485(4) of the Companies Act 2006

G A Quaife

G A Quaife
Director

25 June 2013

Registered in England - No 05508168
Registered Office
20 Churchill Place
London
E14 5HJ

GrantThornton

Independent auditor's report to the member of Alpha Schools (Highland) Holdings Limited

We have audited the financial statements of Alpha Schools (Highland) Holdings Limited for the year ended 31 January 2013 which comprise the group profit and loss account, the group and parent company balance sheets, the group cash flow statement and the related notes 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 auditor

As explained more fully in the Director's Responsibilities Statement set out on page 5 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 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 financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 January 2013 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 matter prescribed by the Companies Act 2006

In our opinion the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Grant Thornton

Independent auditor's report to the members of Alpha Schools (Highland) Holdings Limited (continued)

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

Grant Thornton UK LLP

Diana Penny
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP,
Statutory Auditor, Chartered Accountants

Edinburgh

26 **June 2013**

Group profit and loss account

	Note	2013 £	2012 £
Turnover		**18,540,376**	18,142,720
Cost of sales		**(6,230,192)**	(5,827,863)
Gross profit		**12,310,184**	12,314,857
Administration expenses		**(834,417)**	(695,432)
Operating profit	2	**11,475,767**	11,619,425
Net interest payable	3	**(8,543,614)**	(8,760,209)
Profit on ordinary activities before taxation		**2,932,153**	2,859,216
Taxation	4	**(682,803)**	(736,576)
Retained profit for the year	13	**2,249,350**	2,122,640

Statement of retained earnings

	2013 £	2012 £
Opening balance	**6,213,436**	5,490,796
Retained profit for the year	**2,249,350**	2,122,640
Dividends	**(750,000)**	(1,400,000)
Balance at 31 January	**7,712,786**	6,213,436

All activities are continuing

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historic cost equivalents

The Group has no recognised gains and losses other than the profit for the year above and therefore no separate statement of total recognised gains and losses has been presented

The accompanying accounting policies and notes form part of these consolidated financial statements.

Group and company balance sheet

		Group		Company	
		2013	2012	**2013**	2012
	Note	**£**	£	**£**	£
Investments	6	**-**	-	**50,099**	50,099
Current assets					
Financial asset due for amortisation after one year	7	**140,169,085**	142,296,569	**-**	-
Financial asset due for amortisation within one year	7	**2,131,371**	1,975,623	**-**	-
Debtors - amounts falling due within one year	8	**2,543,462**	3,080,558	**987,690**	1,241,219
Debtors - amounts falling due after one year	9	**4,424**	57,683	**15,279,796**	15,279,796
Cash at bank and in hand		**9,604,973**	9,559,185	**-**	-
		154,453,315	156,969,618	**16,267,486**	16,521,015
Current liabilities					
Creditors - amounts falling due within one year	10	**(5,969,522)**	(6,956,298)	**(1,037,689)**	(1,291,218)
Net current assets		**148,483,793**	150,013,320	**15,229,797**	15,229,797
Total assets less current liabilities		**148,483,793**	150,013,320	**15,279,896**	15,279,896
Creditors - amounts falling due after more than one year	11	**(140,720,907)**	(143,749,784)	**(15,229,796)**	(15,229,796)
Net Assets		**7,762,886**	6,263,536	**50,100**	50,100
Capital and reserves					
Called-up share capital	12	**50,100**	50,100	**50,100**	50,100
Profit and loss reserve		**7,712,786**	6,213,436	**-**	-
Equity shareholders' funds	13	**7,762,886**	6,263,536	**50,100**	50,100

C A Quaf

G A Quaife
Director

The director authorised and approved the financial statements for issue on 25 June 2013

Registered in England - No 05508168

The accompanying accounting policies and notes form part of these consolidated financial statements.

Group cash flow statement

	Note	2013 £	2012 £
Operating activities			
Net cash inflow from operating activities	14	13,252,867	13,788,773
Returns on investments and servicing of finance			
Interest paid		(8,542,455)	(8,696,670)
Interest received		125,029	46,694
Dividends paid		(1,000,000)	(1,150,000)
Net cash flow before use of liquid resources and financing		3,835,441	3,988,797
Taxation			
UK corporation tax paid		(697,689)	(823,924)
Net cash flow before financing		**3,137,752**	**3,164,873**
Financing			
Repayment of principal loan		(3,091,964)	(3,195,850)
Increase/(decrease) in cash		**45,788**	**(30,977)**
Opening cash		9,559,185	9,590,162
Closing cash		9,604,973	9,559,185
Increase/(decrease) in cash		**45,788**	**(30,977)**

The accompanying accounting policies and notes form part of these consolidated financial statements.

Notes to the financial statements

1 Principal accounting policies

Basis of preparation

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable Accounting Standards in the United Kingdom A summary of the more important accounting policies is set out below There have been no changes made to previous accounting policies

Basis of consolidation

The group financial statements comprise a consolidation of the financial statements of the Company and all of its subsidiaries for the year ended 31 January 2013 The results of companies acquired or disposed of are consolidated from the effective date of the acquisition or to the effective date of disposal The Company has no associates or joint ventures

Investments

Investments in the subsidiary undertakings are stated at cost The carrying value of investments is reviewed annually by the directors to determine whether there has been any impairment

Financial asset

Construction and related costs of building the schools are treated as a financial asset (contract debtor) under the terms of FRS 5 Application Note F – Private Finance Initiative and Similar Contracts The financial asset is being repaid over the life of the contract (30 years) as service income is received from The Highland Council

Upon becoming operational, the income derived from the PFI contract has been allocated between the provision of the asset and the provision of the subsequent services Upon acceptance of the constructed asset by The Highland Council, the financial asset is being amortised over the life of the contract against the relevant portion of the contracted income

Deferred taxation

The charge for taxation is based on the profit for the period and takes into account deferred taxation Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more tax in the future, or a right to pay less tax in the future

An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain Deferred tax assets and liabilities recognised have not been discounted

Going concern

The director has reviewed and challenged the latest forecasts for Alpha Schools (Highland) Limited, for the twelve months from the approval of these financial statements, and has concluded that the Company and the Group has adequate resources and is justified in using the going concern basis in preparing the financial statements

Notes to the financial statements (continued)

1 Principal accounting policies (continued)

Financial liabilities

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability

Turnover

Turnover consists of service income and finance debtor interest receivable by the Company under the terms of its contract with The Highland Council, less any performance and availability deductions incurred Turnover is earned wholly within the UK and is exclusive of VAT

Liquid resources

Liquid resources are defined as restricted cash held on behalf of the Company by Royal Bank of Canada and released to the Company under the terms of an agreement with that entity

2 Operating profit

Neither the Group nor the Company has any directly employed personnel The profit on ordinary activities is stated after charging auditors' remuneration of £30,000 (2012 £27,050) Non-audit services in respect of taxation services for the year amounted to £8,675 (2012 £4,869)

During the year, directors' fees were paid by the Group to Infrastructure Investments GP Limited and Northern Infrastructure Investments LLP for services carried out by the persons appointed to the board of the Company and the Group on behalf of the ultimate shareholders, HICL Infrastructure Company Limited and 3i Infrastructure Plc respectively The amounts paid were as follows

	2013	2012
	£	£
Infrastructure Investments GP Limited	**86,907**	82,639
Northern Infrastructure Investments LLP	**86,907**	82,639
	173,814	165,278

The above amounts were expensed in full to the profit and loss account

Notes to the financial statements (continued)

3 Interest payable and similar charges

	2013	2012
	£	£
Bank interest receivable	**125,029**	46,695
Interest receivable / (payable) on corporation tax	**54**	(54)
Interest payable on loans to Alpha Schools (Highland) Project Plc	**(8,668,697)**	(8,806,850)
	(8,543,614)	(8,760,209)

4 Taxation

	2013	2012
	£	£
Tax on profit on ordinary activities comprises:		
UK corporation tax at 24 33% (2012 26 32%)	**713,330**	752,640
Adjustments in respect of previous periods	**(30,527)**	(16,064)
Total current tax	**682,803**	736,576
Tax on profit on ordinary activities	**682,803**	736,576

The difference between the current taxation shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

	2013	2012
	£	£
Profit on ordinary activities before tax	**2,932,153**	2,859,216
Profit on ordinary activities at the standard UK rate of tax of 24 33% (2012 26 32%)	**713,330**	752,640
Adjustments in respect of prior periods	**(30,527)**	(16,064)
Current tax charge for the year	**682,803**	736,576

5 Result of parent company

Alpha Schools (Highland) Holdings Limited has not presented its own profit and loss account, as permitted by section 408 of the Companies Act 2006 The result for the financial year dealt with in the financial statements of the parent company was £750,000 (2012 £1,400,000)

Notes to the financial statements (continued)

6 Investments

Company

	£
Shares in subsidiary undertaking cost	
At 1 February 2012 and at 31 January 2013	50,099

Principal subsidiary undertakings

The Company has investments in the following subsidiary undertakings

Name	Activity	Country of Incorporation	Shareholding and voting rights	Capital & Reserves	Profit
Alpha Schools (Highland) Limited	PFI concession company	Great Britain	100%	£7,712,886	£2,249,350
Alpha Schools (Highland) Project Plc	PFI concession company	Great Britain	100%	£50,000	£Nil

7 Financial asset

	2013 £	2012 £
Cost		
Cost at 1 February	**150,309,903**	150,309,903
Additions in the year	**1,734**	-
Cost at 31 January	**150,311,637**	150,309,903
Amortisation		
Brought forward at 1 February	**(6,037,711)**	(4,210,426)
Charge for year	**(1,973,470)**	(1,827,285)
At 31 January	**(8,011,181)**	(6,037,711)
At 31 January	**142,300,456**	144,272,192
Financial asset - due for amortisation within one year	**2,131,371**	1,975,623
Financial asset - due for amortisation after one year	**140,169,085**	142,296,569
	142,300,456	144,272,192

Notes to the financial statements (continued)

8 Debtors - amounts falling due within one year

	Group		Company	
	2013	2012	**2013**	2012
	£	£	**£**	£
Trade debtors	**2,032,012**	2,476,964	**-**	-
Prepayments	**312,361**	295,386	**-**	-
Other debtors	**199,089**	308,208	**-**	-
Interest due from Alpha Schools (Highland) Project Plc on subordinated loan notes	**-**	-	**987,690**	991,219
Dividends due from Alpha Schools (Highland) Limited	**-**	-	**-**	250,000
	2,543,462	3,080,558	**987,690**	1,241,219

Trade debtors are all due within one year Other debtors are due from The Highland Council

9 Debtors - amounts falling due after more than one year

	Group		Company	
	2013	2012	**2013**	2012
	£	£	**£**	£
Other debtors	**4,424**	57,683		-
Amounts due from Alpha Schools (Highland) Limited	**-**	-	**50,000**	50,000
Amounts due from Alpha Schools (Highland) Project Plc	**-**	-	**15,229,796**	15,229,796
	4,424	57,683	**15,279,796**	15,279,796

Group
Other debtors are due from The Highland Council

Company
The Company has received £15,229,796 (2012 £15,229,796) in the form of subordinated loan notes from its shareholders The proceeds of the loan notes have been lent to Alpha Schools (Highland) Project Plc on identical terms

Notes to the financial statements (continued)

10 Creditors - amounts falling due within one year

	Group		Company	
	2013	2012	**2013**	2012
	£	£	**£**	£
Trade creditors	**153,200**	1,319,149	-	-
Other creditors and accruals	**689,279**	624,459	-	-
Accrued subordinated loan note interest	**987,690**	991,219	**987,690**	991,219
Corporation tax	**29,370**	174,477	-	-
VAT payable	**414,144**	505,030	-	-
Term loan and fixed rate secured bonds	**3,158,648**	3,091,964	-	-
Amounts owed to Alpha Schools (Highland) Project plc	-	-	**49,999**	49,999
Dividends declared	-	250,000	-	250,000
Amounts owed to related parties	**537,191**	-	-	-
	5,969,522	6,956,298	**1,037,689**	1,291,218

11 Creditors - amounts falling due after more than one year

	Group		Company	
	2013	2012	**2013**	2012
	£	£	**£**	£
Borrowings:				
Fixed rate secured bonds	**72,664,356**	74,269,723	-	-
Secured bank term loans	**52,826,755**	54,250,265	-	-
Subordinated loan notes	**15,229,796**	15,229,796	15,229,796	15,229,796
	140,720,907	143,749,784	**15,229,796**	**15,229,796**
Repayable as follows				
Between one and two years	**3,264,976**	3,271,157	-	-
Between two and five years	**10,825,663**	10,676,457	-	-
After five years	**126,630,268**	129,802,170	**15,229,796**	15,229,796
	140,720,907	143,749,784	**15,229,796**	**15,229,796**

Notes to the financial statements (continued)

11 Creditors - amounts falling due after more than one year (continued)

Group

Fixed rate senior guaranteed secured bonds due in 2036 of £100,400,000 were created on 6 April 2006 Of this £81,400,000 were issued and sold at a market value of £81,405,210 The Company has £19,000,000 variation bonds which may be used to finance certain contingencies or changes within the PFI contract The bonds are repayable in semi-annual instalments commencing on 31 January 2010 and ending on 31 January 2036 Interest on the bonds is also payable semi-annually at a rate of 4 792% per annum and payments commenced on 31 July 2006

The secured bank term loan is from the European Investment Bank ("EIB") Principal repayments are made semi-annually commencing on 31 January 2010 and ending on 31 January 2035 Interest on the loan is also payable semi-annually at the rate of 4 58% per annum and payments commenced on 31 July 2006

Payments in respect of both the bonds and EIB loan are guaranteed by Ambac Assurance UK Limited which unconditionally and irrevocably guarantees to pay all sums due and payable by the Group in the event that the Group fails to pay The cost of this guarantee is treated as a direct cost of finance by the Group

The Company has received £15,229,796 (2012 £15,229,796) in the form of fixed rate subordinated loan notes from its shareholders Interest is payable on the loan notes at a rate of 12 9% The loan notes are repayable in three instalments beginning on 31 July 2036 and ending on 31 July 2037

The liabilities are each stated at amortised cost, using the effective interest rate method and are net of unamortised debt issue costs of £1,060,260 (2012 £1,107,204)

The borrowings are secured by a fixed charge over all the issued shares in Alpha Schools (Highland) Limited and Alpha Schools (Highland) Project Plc, an assignment of all rights of the Company under the Finance Agreements to which it is a party and a floating charge over the whole of the Company's undertaking and assets which have not been effectively secured by way of a fixed charge or assignment

The Company, Alpha Schools (Highland) Project Plc and Alpha Schools (Highland) Limited have granted a joint and several guarantee in respect of each other's obligations under the senior finance documents The Company has also guaranteed the obligations of Alpha Schools (Highland) Limited to Alpha Schools (Highland) Project Plc under the Intercompany On-Loan Agreements

The Group has not entered into derivative transactions It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments be undertaken The main risk arising from the Group's financial instruments is liquidity risk The Board's policy for managing this risk is summarised below

Credit risk

The Group is dependent on receipt of funds from The Highland Council in return for the delivery of services Credit risk is low due to the fact that The Highland Council is a local authority and therefore public sector funded Further, there are contractual arrangements in place to minimise the risks retained by the Group and to protect it from default or non-performance by any of its sub-contractors

Interest rate risk

The Group has no exposure to interest rate risk as all its borrowings are at a fixed rate of interest

Notes to the financial statements (continued)

11 Creditors - amounts falling due after more than one year (continued)

Liquidity risk

The Group's policy throughout the year has been, in order to ensure continuity of funding, that substantially all of its borrowings should mature in more than one year

Foreign currency risk

The Group has no foreign currency transactions All of the Group's borrowings are denominated in sterling

Interest rate profile

The interest rate profile of the Group's financial liabilities was as follows

	2013	2012
	£	£
Fixed rate borrowings	**143,879,556**	146,841,748

The fixed rate bonds have interest payable at 4 792% and the bank loan has fixed rate interest payable at 4 58% The subordinated loan notes have interest payable at 12 9%

The Company

The Company received £15,229,796 (2012 £15,229,796) in the form of fixed rate subordinated loan notes from its shareholders Interest is payable on the loan notes at a fixed rate of 12 9% The loan notes are repayable in three instalments beginning on 31 July 2036 and ending on 31 July 2037

12 Called up share capital

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Allotted, issued and fully paid				
50,100 ordinary shares of £1 each	**50,100**	50,100	**50,100**	50,100
	50,100	50,100	**50,100**	50,100

Notes to the financial statements (continued)

13 Reconciliation of movement in shareholders' funds

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Opening shareholders' funds	**6,263,536**	5,540,896	**50,100**	50,100
Profit for financial year	**2,249,350**	2,122,640	**750,000**	1,400,000
Dividends	**(750,000)**	(1,400,000)	**(750,000)**	(1,400,000)
Closing shareholders' funds	**7,762,886**	6,263,536	**50,100**	50,100

14 Reconciliation of group operating profit to net cash outflow from operating activities

	2013	2012
	£	£
Operating profit	**11,475,767**	11,619,425
(Decrease)/increase in creditors	(784,991)	737,647
Decrease/(increase) in debtors	590,355	(395,584)
Decrease in financial asset	1,971,736	1,827,285
Net cash inflow from operating activities	**13,252,867**	**13,788,773**

15 Reconciliation of group net cash flow to movement in net debt

	2013	2012
	£	£
Increase/(decrease) in cash in year	**45,788**	(30,977)
Decrease in net debt from repayment of debt principal	**3,091,964**	3,195,850
Change in net debt resulting from cash flows	**3,137,752**	3,164,873
Other non-cash changes	**(129,772)**	(109,356)
Movement in net debt in the year	**3,007,980**	3,055,517
Opening net debt	**(137,282,562)**	(140,338,079)
Closing net debt	**(134,274,582)**	(137,282,562)

Notes to the financial statements (continued)

16 Analysis of change in group net debt

	1 February 2012 £	Cash flow £	Non-cash changes £	31 January 2013 £
Cash in hand and at bank	9,559,185	45,788	-	**9,604,973**
Debt due within one year	(3,091,964)	3,091,964	(3,158,648)	**(3,158,648)**
Debt due after one year	(143,749,783)	-	3,028,876	**(140,720,907)**
Total	(137,282,562)	3,137,752	(129,772)	**(134,274,582)**

Non-cash changes include £129,772 of amortisation costs in respect of the EIB loan and fixed rate senior guaranteed secured bonds

17 Related party transactions

The Company's related parties, as defined by Financial Reporting Standard 8, and the extent of transactions with them during the year ended 31 January 2013 are set out below

	Purchases from related parties £	Amounts owed to related parties £
Galliford Try Investments Limited	**127,392**	**38,294**
3i Infrastructure plc	**84,834**	**-**
Morrison Facilities Services Limited	**5,308,000**	**498,897**
Infrastructure Investments GP Limited	**84,834**	**-**
	5,605,060	**537,191**

Comparative information for the year ended 31 January 2012 is set out below

	Purchases from related parties £	Amounts owed to related parties £
Galliford Try Investments Limited	124,333	37,629
3i Infrastructure plc	82,614	-
Morrison Facilities Services Limited	5,005,244	1,260,985
Infrastructure Investments GP Limited	82,614	-
	5,294,805	1,298,614

There were no sales to related parties or amounts owed by related parties at 31 January 2013 or 31 January 2012

Notes to the financial statements (continued)

17 Related party transactions (continued)

During the year ended 31 January 2013, HICL Infrastructure Company Limited owned 50% of Alpha Schools (Highland) Holdings Limited On 22 March 2013 it increased its shareholding to 100% Directors' fees are charged to the Company by Infrastructure Investments GP Limited in respect of this shareholding

Galliford Try Investments Limited is a wholly owned subsidiary of Galliford Try Plc and provides concession management services to the Company

During the year ended 31 January 2013, 3i Infrastructure Plc owned 50% of the Company through its investment vehicle, Northern Infrastructure Investments LLP and also provided management services to the Company 3i Infrastructure Plc sold its entire investment on 22 March 2013

Morrison Construction Limited is a wholly owned subsidiary of Galliford Try Plc and has entered into a building sub-contract with the Company

Morrison Facilities Services Limited is ultimately controlled by Anglian Water Group Limited which in turn is owned by a private consortium, Osprey, comprising of Canada Pension Plan Investment Board, Colonial First State Global Asset Management, Industry Funds Management and funds advised or managed by 3i Group Plc

18 Post balance sheet events

On 28 February 2013 a dividend of £650,000 was declared and paid to shareholders

On 22 March 2013, 3i Infrastructure Plc sold its entire interest in the share capital and subordinated loan notes of the Company to HICL Infrastructure Company Limited

19 Ultimate parent undertaking

The director considers the ultimate controlling party to be HICL Infrastructure Company Limited