

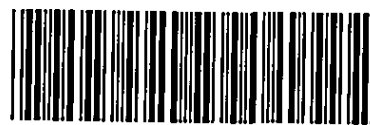
Alpha Schools (Highland) Holdings Limited

Annual report and consolidated financial statements

For the year ended 31 January 2007

Registered number 05508168

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Alpha Schools (Highland) Holdings Limited

Report of the Directors

The directors submit their report and the audited consolidated financial statements for the year ended 31 January 2007

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 has also entered into a fixed-price, date certain sub-contract with Morrison Construction Limited to design and build the schools. The construction term is approximately 41 months during which time the schools will be made available to The Highland Council following a pre-determined phased programme. Construction is expected to be complete by September 2009.

The PFI project will be financed primarily by the issue of fixed rate bonds of £81,405,210 and a loan facility provided by the European Investment Bank 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 availability date of the first school is 26 March 2007 and the term of the PFI contract is 30 years from this date. The Group will receive service payments from The Highland Council for each school as it becomes available. As at 31 January 2007, no schools were complete (in line with programme) and therefore the Group has no income during the current financial year. The construction and other related costs of building are being treated as a financial asset which will be repaid over the life of the contract.

Future developments

The directors do not anticipate any changes in the Company's activities. Under the terms of the PFI Contract between Alpha Schools (Highland) Limited and The Highland Council, the schools will be completed and handed over to The Highland Council following a phased programme which commenced on 26 March 2007. Full facilities management services will also commence on each school as they are completed and handed over.

Summary of key performance indicators

The directors have monitored the progress of the overall company strategy and the individual strategic elements by reference to certain financial and non-financial indicators.

	2007	2006	Method of calculation
Net debt (£'000)	53,558	-	Total net debt at balance sheet date

Results and dividend

The results for the year are set out on page 6. The loss for the year amounted to £32,750 (2006 £Nil) and has been deducted from reserves. The directors do not recommend payment of a dividend in respect of the year (2006 Nil).

Alpha Schools (Highland) Holdings Limited

Report of the Directors (continued)

Directors and their interests

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

A S Richards
R S Fullerton (appointed 6 July 2006)
J Boags (appointed 29 September 2006)
R Christie
P N Bottrill (resigned 6 July 2006)
J E Philipasz (resigned 29 September 2006)

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.

Directors' responsibilities

The directors are responsible for preparing the Annual 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group or the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 January 2007 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial Instruments

The Group's financial risk management objectives and exposures have been set out in note 12 of these financial statements.

Post balance sheet events

Since the year end, under the main PFI contract between Alpha Schools (Highland) Limited and The Highland Council, four primary schools have been completed and handed over to The Highland Council on their target dates. Full facilities management services are now being provided in respect of these schools. All other schools within the project are on target for being completed and handed over on their respective programmed dates.

Alpha Schools (Highland) Holdings Limited Report of the Directors (continued)

Auditors and disclosure of information to auditors

Each director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the Group's and Company's auditors in connection with preparing their report) of which the Group's and Company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information

A resolution to re-appoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985

On behalf of the Board



A S Richards
Director
20 July 2007

Registered in England – No 05508168

Registered Office
Cowley Business Park
High Street
Cowley
Uxbridge
Middlesex
UB8 2AL

Independent auditors' report to the members of Alpha Schools (Highland) Holdings Limited

We have audited the group and parent company financial statements (the "financial statements") of Alpha Schools (Highland) Holdings Limited for the year ended 31 January 2007 which comprise the principal accounting policies, the group profit and loss account, the group and company balance sheets, the group cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 United Kingdom law and 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. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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.

We read other information contained within the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 judgments 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.

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

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 group's and parent company's affairs as at 31 January 2007 and of the group's loss for the year then ended,
- the financial statements 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



Grant Thornton UK LLP
Chartered Accountants and Registered Auditors
Glasgow

Date: 24/7/07.

Alpha Schools (Highland) Holdings Limited
Group Profit and Loss Account
For the year ended 31 January 2007

	Notes	Year ended 31 January 2007	Period from 15 July 2005 to 31 January 2006
		£	£
Administration expenses		(32,750)	-
Operating loss	2	(32,750)	-
Interest payable and similar charges	3	-	-
Interest receivable	3	-	-
Loss on ordinary activities before taxation		(32,750)	-
Taxation	4	-	-
Retained loss for the year	15	(32,750)	-
		Year ended 31 January 2007	Period from 15 July 2005 to 31 January 2006
Statement of retained earnings			
Opening balance		-	-
Retained loss for the year		(32,750)	-
Balance at 31 January		(32,750)	-

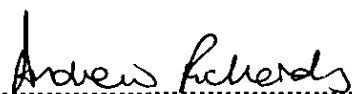
All activities are continuing

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

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

**Alpha Schools (Highland) Holdings Limited
Group and Company Balance Sheet
As at 31 January 2007**

		Group		Company	
	Notes	2007 £	2006 £	2007 £	2006 £
Investments	7	-	-	50,099	-
Current assets					
Financial asset	8	57,828,177	-	-	-
Debtors – amounts falling due within one year	9	1,582,650	1	50,000	1
Cash at bank and in hand		13,172,144	-	-	-
Restricted cash – amounts falling due within one year	10	58,993,167	-	-	-
Restricted cash – amounts falling due in more than one year	10	12,888,262	-	-	-
		144,464,400	1	50,000	1
Current liabilities					
Creditors – amounts falling due within one year	11	(5,835,228)	-	(49,999)	-
Net current assets		138,629,172	1	1	1
Total assets less current liabilities		138,629,172	1	50,100	1
Creditors – amounts falling due after one year	12	(138,611,822)	-	-	-
Net assets		17,350	1	50,100	1
Capital & reserves					
Called-up share capital	14	50,100	1	50,100	1
Profit and loss reserve		(32,750)	-	-	-
Equity shareholders' funds	15	17,350	1	50,100	1



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A S Richards
Director

The directors approved the financial statements on 20 July 2007
The notes on pages 9 to 19 form part of these financial statements

Alpha Schools (Highland) Holdings Limited
Group Cash Flow Statement
As at 31 January 2007

	Notes	Year ended 31 January 2007 £	Period from 15 July 2005 to 31 January 2006 £
Operating activities			
Net cash outflow from operating activities	16	(52,776,237)	-
Returns on investments and servicing of finance			
Interest paid		(6,031,066)	-
Interest received		3,770,966	-
Net cash outflow before use of liquid resources and financing		<u>(55,036,337)</u>	<u>-</u>
Management of liquid resources			
Increase in deposit in Guaranteed Investment Contract		(71,881,429)	-
Financing			
Issue of ordinary share capital		50,100	-
Issue of fixed rate bonds		81,405,210	-
Increase in senior secured loans		60,000,000	-
Issue costs in respect of the issue of listed bonds		(1,365,400)	-
Increase in cash	17	<u><u>13,172,144</u></u>	<u><u>-</u></u>

Alpha Schools (Highland) Holdings Limited

Notes to the Financial Statements

For the year ended 31 January 2007

1. Principal accounting policies

(a) 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 1985 and applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies is set out below.

(b) Basis of consolidation

The group accounts comprise a consolidation of the accounts of the Company and all of its subsidiaries for the year ended 31 January 2007. 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.

(c) 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.

(d) Financial asset

Construction and related costs of building the schools are being 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 will be repaid over the life of the contract as service income is received from The Highland Council.

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

(e) Pre-contract costs

PFI bid costs are charged to the profit and loss account until such time as the company is virtually certain that it will enter into contracts for the relevant PFI project. Virtually certain is achieved at the time the company is selected as sole preferred bidder. From the point of virtual certainty, bid costs are capitalised and held in the balance sheet as part of the 'Financial asset' and are subsequently expensed over the period of the contract.

(f) 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 incurred 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.

(g) 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.

Alpha Schools (Highland) Holdings Limited
Notes to the Financial Statements
For the year ended 31 January 2007

2. Operating loss

None of the directors received any remuneration as directors from the Group or Company during the year. Neither the Group nor the Company has any directly employed personnel. The loss on ordinary activities is stated after charging auditors' remuneration of £25,000 (2006: £nil). Amounts paid to the auditors in respect of non-audit services totalled £371,303 during the year (2006: £nil). Non-audit services in respect of taxation services for the year amounted to £7,750 (2006: £nil) which have been expensed through the profit and loss account. Non-audit services in respect of the financial modelling of the PFI project amounted to £363,553 during the year (2006: £nil) and this cost has been capitalised within the financial asset at the balance sheet date.

3. Interest payable and similar charges (net)

	Year ended 31 January 2007 £	Period from 15 July 2005 to 31 January 2006 £
Interest receivable on Guaranteed Investment Contract (see note 10)	3,354,101	-
Bank interest receivable	416,865	-
Interest payable on bonds and secured loans	(5,875,092)	-
Other finance costs payable	(155,974)	-
	<u>(2,260,100)</u>	<u>-</u>
Transferred to financial asset	<u>2,260,100</u>	<u>-</u>
	<u>-</u>	<u>-</u>

Alpha Schools (Highland) Holdings Limited
Notes to the Financial Statements
For the year ended 31 January 2007

4. Taxation

	Year ended 31 January 2007 £	Period from 15 July 2005 to 31 January 2006 £
Tax on profit on ordinary activities comprises:		
UK Corporation tax at 30% (2006 30%)	-	-
Total current tax	-	-
Deferred tax (note 13)	-	-
Total deferred tax	-	-
Tax on profit on ordinary activities	-	-

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

	Year ended 31 January 2007 £	Period from 15 July 2005 to 31 January 2006 £
Loss on ordinary activities before tax	(32,750)	-
Loss on ordinary activities at the standard UK rate of tax (30%)	(9,825)	-
Effects of Unrelieved losses carried forward	9,825	-
Current tax charge for the year	-	-

Alpha Schools (Highland) Holdings Limited
Notes to the Financial Statements
For the year ended 31 January 2007

5. Dividends

No dividends were paid in respect of the financial year

6. Result of parent company

Alpha Schools (Highland) Holdings Limited has not presented its own profit and loss account, as permitted by section 230 of the Companies Act 1985. The result for the financial year dealt with in the accounts of the parent company was £Nil (2006 £Nil)

7. Investments

The Company

	£
Shares in subsidiary undertaking	
Cost	
At 1 February 2006	-
Additions	50,099
At 31 January 2007	50,099

Principal subsidiary undertakings

The Company has investments in the following subsidiary undertakings

Name	Activity	Country of incorporation	Shareholding
Alpha Schools (Highland) Limited	PFI concession company	Great Britain	100%
Alpha Schools (Highland) Project Plc	PFI concession company	Great Britain	100%

Alpha Schools (Highland) Holdings Limited
Notes to the Financial Statements
For the year ended 31 January 2007

8. Financial asset

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Brought forward at 1 February	-	-	-	-
Additions during the year				
Interest payable and other financing costs (net)	2,260,100	-	-	-
Construction and related costs	55,568,077	-	-	-
At 31 January	57,828,177	-	-	-

9. Debtors – amounts falling due within one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
VAT recoverable	1,582,650	-	-	-
Amounts owed from Alpha Schools (Highland) Limited	-	-	50,000	-
Other debtors	-	1	-	1
	1,582,650	1	50,000	1

10. Restricted cash

Restricted cash represents amounts held in a fixed interest rate Guaranteed Investment Contract (GIC) on behalf of the Group by Royal Bank of Canada. The GIC has been funded by the net proceeds of the bond issue and the European Investment Bank loan. Royal Bank of Canada will make certain scheduled payments from the GIC to the Group's ordinary bank account during the anticipated construction period.

11. Creditors – amounts falling due within one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Trade creditors	5,648,019	-	-	-
Accruals	187,209	-	-	-
Amounts owed to Alpha Schools (Highland) Project Plc	-	-	49,999	-
	5,835,228	-	49,999	-

Alpha Schools (Highland) Holdings Limited
Notes to the Financial Statements
For the year ended 31 January 2007

12. Creditors – Amounts falling due after more than one year

The Group

	2007	2006
	£	£
Borrowings		-
Fixed rate secured bonds	79,757,891	-
Secured bank term loan	58,853,931	-
	138,611,822	-
Repayable as follows		
Less than one year	-	-
Between one and two years	-	-
Between two and five years	7,530,625	-
After five years	131,081,197	-
Total borrowings	138,611,822	-

Fixed rate senior guaranteed secured bonds due 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 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. 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 Company in the event that the Company fails to pay. The cost of this guarantee is treated as a direct cost of finance by the Company.

The liabilities are each stated at amortised cost, using the effective interest rate method and are net of unamortised debt issue costs of £1,365,400.

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 Onloan Agreements.

Alpha Schools (Highland) Holdings Limited
Notes to the Financial Statements
For the year ended 31 January 2007

12. Creditors – Amounts falling due after more than one year (continued)

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.

Interest rate risk

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

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:

	2007 £	2006 £
Fixed rate borrowings	138,611,822	-

The fixed rate bonds have interest payable at 4.792% and the bank loan has fixed rate interest payable at 4.58%.

13. Provisions for liabilities and charges

Deferred Taxation

The unrecognised deferred tax asset is as follows:

	2007 £	2006 £
Brought forward at 1 February 2006	-	-
Charge for the year	9,825	-
Carried forward at 31 December 2006	9,825	-
Unrelieved losses carried forward	9,825	-
Unrecognised deferred tax asset	9,825	-

Alpha Schools (Highland) Holdings Limited
Notes to the Financial Statements
For the year ended 31 January 2007

14. Called up share capital

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Authorised				
50,100 ordinary shares of £1 each	50,100	1,000	50,100	1,000
	50,100	1,000	50,100	1,000
Allotted, issued and fully paid				
50,100 ordinary shares of £1 each	50,100	1	50,100	1
	50,100	1	50,100	1

The Company was incorporated with authorised share capital of 1,000 ordinary shares of £1 each. One ordinary share was issued to Pinsent Masons Director Limited at par on incorporation. On 28 March 2006, Pinsent Masons Director Limited transferred its holding of one ordinary share to Morrison Education (Highland) Limited.

On 28 March 2006, the authorised share capital was increased from £1,000 to £50,100.

On 28 March 2006, 25,049 ordinary shares of £1 each were allotted to Morrison Education (Highland) Limited and 25,050 shares of £1 each were allotted to Northern Infrastructure Investments LLP.

15. Reconciliation of movement in shareholders' funds

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Opening shareholders' funds	1	-	1	-
Issue of equity shares	50,099	1	50,099	1
Loss for financial year	(32,750)	-	-	-
Closing shareholders' funds	17,350	1	50,100	1

Alpha Schools (Highland) Holdings Limited
Notes to the Financial Statements
For the year ended 31 January 2007

16. Reconciliation of group operating loss to net cash outflow from operating activities

	Year ended 31 January 2007 £	Period from 15 July 2005 to 31 January 2006 £
Operating loss	(32,750)	-
Increase in creditors	5,835,228	-
Increase in debtors	(1,582,649)	-
Increase in financial asset	(55,568,077)	-
Other non-cash changes	(1,427,989)	-
Net cash outflow from operating activities	<u>(52,776,237)</u>	<u>-</u>

17. Reconciliation of group net cash flow to movement in net debt

	Year ended 31 January 2007 £	Period from 15 July 2005 to 31 January 2006 £
Increase in cash in year	13,172,144	-
Cash outflow from issue of bonds and secured senior loans	(140,039,810)	-
Cash inflow from increase in liquid resources	71,881,429	-
Change in net debt resulting from cash flows	<u>(54,986,237)</u>	<u>-</u>
Other non-cash changes (see note 18)	1,427,988	-
Movement in net debt in the year	<u>(53,558,249)</u>	<u>-</u>
Net debt at 1 February	-	-
Net debt at 31 January	<u>(53,558,249)</u>	<u>-</u>

Alpha Schools (Highland) Holdings Limited
Notes to the Financial Statements
For the year ended 31 January 2007

18. Analysis of change in group net debt

	1 February 2006 £	Cash flow £	Non-cash changes £	31 January 2007 £
Cash in hand and at bank	-	13,172,144	-	13,172,144
Debt due after 1 year	-	(140,039,810)	1,427,988	(138,611,822)
Liquid resources	-	71,881,429	-	71,881,429
Total	-	(54,986,237)	1,427,988	(53,558,249)

Non-cash changes comprise the amortisation costs in respect of the EIB Loan and Fixed rate senior guaranteed secured bonds

19. Related party transactions

The Group's related parties, as defined by Financial Reporting Standard 8, and the extent of transactions with them during the year ended 31 January 2007 are set out below

	Sales to related parties £	Purchases from related parties £	Amounts owed to related parties £
Galliford Try Investments Limited	39,785	1,869,909	-
3i Group Plc	-	143,907	-
Morrison Construction Limited	-	49,595,300	4,863,500
Noble Fund Managers Limited	-	464,000	-
Morrison Facilities Services Limited	-	445,574	-
	39,785	52,518,690	4,863,500

There were no amounts owed by related parties at 31 January 2007. There were no related party transactions in the previous financial year.

Galliford Try Investments Limited owns fifty per cent of the Company through its 100% subsidiary, Morrison Education (Highland) Limited. Galliford Try Investments Limited provides concession management services to the Company.

3i Group Plc, 3i Group Investments GP Limited and Noble Financial Holdings Limited own fifty percent of the Company through their investment vehicle, Northern Infrastructure Investments LLP and also provide management services to the Group.

Morrison Construction Limited is a wholly owned subsidiary of Galliford Try Plc and has entered into a building sub-contract with Alpha Schools (Highland) Limited.

Morrison Facilities Services Limited is owned 100% by AWG Plc 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 3i Group Plc.

Alpha Schools (Highland) Holdings Limited
Notes to the Financial Statements
For the year ended 31 January 2007

20. Commitments

Under the terms of an Equity Subscription Agreement dated 6 April 2006, the Company has a commitment to receive from Morrison Education (Highland) Limited and Northern Infrastructure Investments LLP, subordinated loan notes of £15,245,041 by 6 July 2009 (being the service availability date of the final school) Interest will be payable on the loan notes at a rate of 12.9% and the loan notes will be repayable on an annuity basis beginning on 31 January 2010 and ending on 31 July 2036

21. Post balance sheet events

Since the year end, under the main PFI contract between Alpha Schools (Highland) Limited and The Highland Council, four primary schools have been completed and handed over to The Highland Council on their target dates Full facilities management services are now being provided in respect of these schools All other schools within the project are on target for being completed and handed over on their respective programmed dates

22. Ultimate parent undertaking

The Company is owned fifty percent by Morrison Education (Highland) Limited, a company registered in England and Wales, and fifty percent by Northern Infrastructure Investments LLP, a limited liability partnership registered in England and Wales

The Directors consider the ultimate parent undertakings and controlling parties to be Galliford Try Plc and 3i Group Plc