Annual Report and Consolidated Financial Statements

Alpha Schools (Highland) Holdings Limited

For the Year Ended 31 January 2016

Company No. 05508168

Officers and professional advisers

Company Registration Number	05508168
Registered Office	21 St Thomas Street Bristol BS1 6JS
Directors	G A Quaife E G Wegener
Secretary	Jordans Company Secretaries Limited
Bankers	Barclays Bank PLC 1 Churchill Place London E14 5HP
Independent Auditor	KPMG LLP Arlington Business Park Theale Reading RG7 4SD

Contents

Strategic Report

The directors submit their strategic report and the audited consolidated financial statements for the year ended 31 January 2016.

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 £7,378,775 (2015: £7,271,984) 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 Company is the inability to meet its obligations in respect of the contractual arrangements for the PFI contract, which would in turn prevent it being able to settle all amounts due to Alpha Schools (Highland) Project Plc. The contractual arrangements for the PFI contract have however been structured to minimise the risks retained by the Company and there are various security and contractual arrangements in place to protect the Company from default or non-performance by any sub-contractors. 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 directors have adopted the going concern basis of accounting.

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 meet 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

Strategic Report (continued)

that are in place, and the certainty of the service payments being paid by The Highland Council that the directors have adopted the going concern basis of accounting.

Future developments

The directors do not anticipate any changes in the Group's or Company's activities.

Summary of key performance indicators

The directors have monitored the progress of the overall Group strategy and the individual strategic elements by reference to certain financial and non-financial indicators, and are satisfied with the Group's performance.

	2016	2015	**Method of calculation**
Net debt	£122,534,718	£126,365,033	Total net debt at balance sheet date
Performance and availability deductions	0.44%	0.16%	Percentage of turnover

Performance and availability deductions of £27,832 (2015: £12,921) were incurred during the year. Of this cost, £11,651 was passed on to Morrison Facilities Services Limited, the facilities management contractor.

Results and dividends

The results for the year are set out on page 9. The profit for the year amounted to £1,317,875 (2015: £1,285,304) and has been transferred to reserves. Dividends of £1,400,000 were paid in the year (2015: £1,500,000). The directors do not recommend a final dividend (2015: nil).

On behalf of the Board

E G Wegener
Director

25 July 2016

Registered in England - No. 05508168
Registered Office
21 St Thomas Street
Bristol
BS1 6JS

Directors' Report

Directors and their interests

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

G A Quaife
E G Wegener

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.

Political donations

The Company made no political donations in the year (2015: £Nil).

Financial risk management objectives and policies

The Group's financial risk management objectives and exposures have been set out in note 10 of these financial statements.

Disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

On behalf of the Board

E G Wegener
Director

25 July 2016

Registered in England - No. 05508168
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21 St Thomas Street
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Statement of Directors' Responsibilities in respect of the Strategic Report, Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, 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 group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law including FRS102 The Financial Reporting applicable in the UK and the Republic of Ireland).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period.

In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent 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 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 2016 set out on pages 9 to 25. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS102 the Financial Reporting Standard applicable in the UK and the Republic of Ireland.

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 Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2016 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 Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.

Amanda Moses (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Arlington Business Park
Reading
Theale
RG7 4SD

29 **July 2016**

Group Profit and Loss Account and Statement of Comprehensive Income

	Note	2016 £	2015 £
Turnover		**7,378,775**	7,271,984
Cost of sales		**(6,652,295)**	(6,541,340)
Gross profit		**726,480**	730,644
Administration expenses		**(487,596)**	(538,797)
Operating profit	2	**238,884**	191,847
Net interest receivable	3	**1,411,899**	1,442,014
Profit on ordinary activities before taxation		**1,650,783**	1,633,861
Taxation	4	**(332,908)**	(348,557)
Profit and Total Comprehensive Income for the year	12	**1,317,875**	1,285,304

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

Group and company balance sheet

		Group		Company	
		2016	2015	**2016**	2015
	Note	**£**	£	**£**	£
Fixed Assets					
Investments	6	**-**	-	**50,099**	50,099
Current assets					
Debtors - amounts falling due within one year	7	**5,212,259**	5,008,403	**990,396**	990,396
Debtors - amounts falling due after one year	8	**131,907,092**	134,800,571	**15,279,796**	15,279,796
Cash at bank and in hand		**11,449,617**	11,090,896	**-**	-
		148,568,968	150,899,870	**16,270,192**	16,270,192
Current liabilities					
Creditors - amounts falling due within one year	9	**(10,752,924)**	(9,417,150)	**(1,040,395)**	(1,040,395)
Net current assets		**137,816,044**	141,482,720	**15,229,797**	15,229,797
Total assets less current liabilities		**137,816,044**	141,482,720	**15,279,896**	15,279,896
Creditors - amounts falling due after more than one year	10	**(130,399,785)**	(133,984,336)	**(15,229,796)**	(15,229,796)
Net assets		**7,416,259**	7,498,384	**50,100**	50,100
Capital and reserves					
Called-up share capital	12	**50,100**	50,100	**50,100**	50,100
Profit and loss reserve		**7,366,159**	7,448,284	**-**	-
Equity shareholders' funds		**7,416,259**	7,498,384	**50,100**	50,100

E G Wegener
Director

The director authorised and approved the financial statements for issue on 25 July 2016

Registered in England - No. 05508168

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

Group cash flow statement

	Note	2016 £	2015 £
Cashflow from Operating activities			
Net cash inflow from operating activities	13	**3,818,413**	4,367,347
Cashfow from Investing Activities			
Net cash inflow from Investing Activities		**9,575,314**	9,773,872
		13,393,727	14,141,219
Cashflows from Financing Activities			
Repayment of principal loan		**(3,583,966)**	(3,377,857)
Interest paid		**(8,051,040)**	(8,218,976)
Dividends paid		**(1,400,000)**	(1,500,000)
Net Cash outflow form Financing Activities		**(13,035,006)**	**(13,096,833)**
Net Increase in cash		358,721	1,044,386
Cash and Cash equivalents as at 1 February		11,090,896	10,046,510
Cash and Cash equivalents as at 31 January		**11,449,617**	11,090,896

Company Statement of Changes in Equity

	£	£	£
	Called Up Share Capital	Profit & Loss Account	Total Equity
Balance as at 1 February 2015	50,100	-	50,100
Total Comprehensive Income	-	1,500,000	-
Dividends	-	(1,500,000)	-
Balance at 31 January 2016	50,100	0	50,100
	Called Up Share Capital	Profit & Loss Account	Total Equity
Balance as at 1 February 2014	50,100	-	50,100
Total Comprehensive Income	-	1,400,000	-
Dividends	-	(1,400,000)	-
Balance at 31 January 2015	50,100	-	50,100

Group Statement of Changes in Equity

	Called Up Share Capital	Profit & Loss Account	Total Equity
	£	£	£
Balance as at 1 February 2015	100	7,448,284	7,448,384
Total Comprehensive Income	-	1,317,875	1,317,875
Dividends	-	(1,400,000)	(1,400,000)
Balance at 31 January 2016	**100**	**7,366,159**	**7,366,259**

	Called Up Share Capital	Profit & Loss Account	Total Equity
	£	£	£
Balance as at 1 February 2014	100	7,662,980	7,663,080
Total Comprehensive Income	-	1,285,304	1,285,304
Dividends	-	(1,500,000)	(1,500,000)
Balance at 31 January 2015	100	7,448,284	7,448,384

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

Notes to the financial statements

1. Principal accounting policies

Alpha Schools (Highland) Holdings Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The presentation currency of these financial statements is sterling.

In the transition to FRS 102 from old UK GAAP, the Company has made no measurement and recognition adjustments.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Service concession arrangements –The Company entered into its Service concession arrangement before the date of transition to this FRS. Therefore its service concession arrangements have continued to be accounted for using the same accounting policies being applied at the date of transition to this FRS.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied.

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Alpha Schools (Highland) Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. On first time adoption of FRS 102, the Company has not retrospectively changed its accounting under old UK GAAP for accounting estimates.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 17.

1.1. Measurement convention

The financial statements are prepared on the historical cost basis.

1.2. Going concern

The Directors have reviewed the Company's projected profits and cash flows by reference to a financial model covering accounting periods up to April 2037. Having examined the current status of the Company's principal contracts and likely developments in the foreseeable future, the Directors consider that the Company will be able to settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concern basis.

Notes to the financial statements

1. Accounting policies (continued)

1.3. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 January 2016. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

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

1.4. Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Finance debtors

The finance debtor has been recognised based upon the Finance debtor and service income policy below. This is classified as a basic financial instrument as the debtor relates to the construction phase and only risk held is credit risk. Any performance conditions are linked to the operating phase revenue and therefore not relevant.

Restricted cash

The Company is obligated to keep a separate cash reserve in respect of future major maintenance costs. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £1,160,629 at the year end (2015: £842,041).

1.5. Impairment excluding deferred tax assets

Financial assets (including trade, Finance and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is

Notes to the financial statements

1. Accounting policies (continued)

1.5 Impairment excluding deferred tax assets (continued)

calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.6. Finance debtor and service income

The Company is an operator of a PFI contract. The underlying asset is not deemed to be an asset of the Company under old UK GAAP, because the risks and rewards of ownership as set out in that Standard are deemed to lie principally with the Authority.

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. During the operational phase income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS102 section 23. The Company recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

Major maintenance costs are recognised on a contractual basis and the revenue in respect of these services is recognised when these services are performed.

1.7. Expenses

Interest receivable and Interest payable

Interest payable and similar charges include interest payable on borrowings and associated ongoing financing fees.

Other interest receivable and similar income include interest receivable on funds invested and interest recognised on the finance debtor based upon the finance debtor accounting policy above.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

1.8. Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Notes to the financial statements

2. Operating profit

Neither the Group nor the Company has any directly employed personnel. The profit on ordinary activities is stated after charging auditor's remuneration of £17,000 (2015: £15,414). This includes £1,300 (2015: £1,000) in respect of the Company and £15,000 (2015: £14,414) in respect of the Company's subsidiaries. Non-audit services in respect of taxation services for the year amounted to £4,535 (2015: £6,500).

During the year, directors' fees were paid by the Group to Infrastructure Investments GP Limited 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. The amounts paid were as follows:

	2016	2015
	£	£
Infrastructure Investments GP Limited	**125,104**	123,329
	125,104	123,329

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

3. Net interest receivable

	2016	2015
	£	£
Interest receivable on finance debtor	**9,558,791**	9,742,588
Bank interest receivable	**11,344**	27,451
Interest receivable on corporation tax	**5,181**	3,832
Interest payable on loans	**(8,163,417)**	(8,331,857)
	1,411,899	1,442,014

4. Taxation

	2016	2015
	£	£

Tax on profit on ordinary activities comprises:

Notes to the financial statements

UK corporation tax at 20.17% (2015: 21.33%)	**332,908**	348,557
Adjustments in respect of previous periods	**-**	
Total current tax	**332,908**	348,557
Tax on profit on ordinary activities	**332,908**	348,557

Effective tax rate reconciliation

	2016	2015
	£	£
Profit on ordinary activities before tax	**1,650,783**	1,633,861
Profit on ordinary activities at the standard UK rate of tax of 20.17% (2015: 21.33%)	**332,908**	648,557
Tax charge for the year	**332,908**	348,557

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 £1,400,000 (2015: £1,500,000).

6. Investments

Company

	£
Shares in subsidiary undertaking cost	
At 1 February 2015 and at 31 January 2016	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%	£7,366,259	£1,317,875
Alpha Schools (Highland) Project Plc	PFI financing company	Great Britain	100%	£50,000	£Nil

Notes to the financial statements

7. Debtors - amounts falling due within one year

	Group		Company	
	2016	2015	**2016**	2015
	£	£	**£**	£
Finance Debtor	**2,775,558**	2,601,003		
Trade debtors	**2,107,895**	2,096,293	**-**	-
Prepayments	**328,806**	311,107	**-**	-
Interest due from Alpha Schools (Highland) Project Plc on subordinated loan notes	**-**	-	**990,396**	990,396
	5,212,259	**5,008,403**	**990,396**	990,396

Trade debtors are all due within one year.

8. Debtors - amounts falling due after more than one year

	Group		Company	
	2016	2015	**2016**	2015
	£	£	**£**	£
Finance Debtor	**131,907,092**	134,800,571	**-**	-
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
	131,907,092	134,800,571	**15,279,796**	15,279,796

Company
The Company has received £15,229,796 (2015: £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. See note 11 for details.

Notes to the financial statements

9. Creditors - amounts falling due within one year

	Group		Company	
	2016	2015	**2016**	2015
	£	£	**£**	£
Trade creditors	**689,014**	990,711	-	-
Other creditors and accruals	**4,833,942**	3,459,665	-	-
Accrued subordinated loan note interest	**990,396**	990,396	**990,396**	990,396
Corporation tax	**165,528**	6,042	-	-
VAT payable	**489,491**	498,743	-	-
Term loan and fixed rate secured bonds	**3,584,553**	3,471,593	-	-
Amounts owed to Alpha Schools (Highland) Project plc	-	-	**49,999**	49,999
	10,752,924	9,417,150	**1,040,395**	1,040,395

10. Creditors - amounts falling due after more than one year

	Group		Company	
	2016	2015	**2016**	2015
	£	£	**£**	£
Borrowings:				
Fixed rate secured bonds	**67,223,216**	69,108,260	-	-
Secured bank term loans	**47,946,773**	49,646,280	-	-
Subordinated loan notes	**15,229,796**	15,229,796	15,229,796	15,229,796
	130,399,785	133,984,336	**15,229,796**	**15,229,796**
Repayable as follows:				
Between one and two years	**3,769,516**	3,584,553	-	-
Between two and five years	**12,559,642**	12,292,943	-	-
After five years	**114,070,627**	118,106,840	**15,229,796**	15,229,796
	130,399,785	133,984,336	**15,229,796**	**15,229,796**

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

Notes to the financial statements

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.

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

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 (2015: £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 £919,425 (2015: £966,370).

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.

Financial Instruments

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 and its obligations are underwritten by the Secretary of State for Education. 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.

Liquidity risk

The Group's policy throughout the year has been, in order to ensure continuity of funding, that

Notes to the financial statements

substantially all of its borrowings should mature in more than one year.

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

Interest rate profile

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

	2016	2015
	£	£
Fixed rate borrowings	**133,984,338**	137,455,931

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 undiscounted contractual maturities are repayable as follows:

Less than one year	**3,714,634**	3,583,967
Between one and two years	**3,883,169**	3,714,634
Between two and five years	**13,109,715**	12,631,192
After five years	**115,066,709**	119,428,400
Total borrowings	**135,774,227**	139,358,193

Fair values

Set out below is a comparison of book values and fair values of the Group's financial instruments.

	Fair Value 2016	Fair Value 2015	**Book Value 2016**	Book Value 2015
	£	£	**£**	£
Financial liabilities:				
Fixed rate secured bonds	**78,890,520**	85,096,099	**69,108,261**	70,951,876
Secured bank term loan	**55,628,415**	59,291,138	**49,646,281**	51,274,259
Subordinated loan notes	**24,767,981**	15,229,796	**24,861,012**	15,229,796
At 31 January	**159,286,916**	159,617,033	**143,615,554**	137,193.931

The fair value of the fixed rate secured bond is based on its market value at 31 January 2016. The secured bank term loan's fair value is based on cash flows discounted using a rate based on borrowings of 3.85% (2015: 3.51%). The fair value of the subordinated debt loan notes is based on cash flows discountsted using a rate based on borrowings of 7.5% (2015: 7.5%).

The Company

The Company received £15,229,796 (2015: £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.

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12. Called up share capital

	Group		Company	
	2016	2015	**2016**	2015
	£	£	**£**	£
Allotted, issued and fully paid				
50,100 ordinary shares of £1 each, at 1 February and 31 January	**50,100**	50,100	**50,100**	50,100
	50,100	50,100	**50,100**	50,100

13. Reconciliation of group profit to net cash outflow from operating activities

	2016	2015
	£	£
Profit	**238,884**	191,847
Increase in creditors	**1,357,661**	1,753,206
Decrease in debtors	**2,689,620**	2,509,342
Tax paid	**(467,751)**	(87,048)
Net cash inflow from operating activities	**3,818,413**	4,367,347

14. Related party transactions

The Company's related parties and the extent of transactions with them during the year ended 31 January 2016 are set out below.

	Purchases from related parties	**Amounts owed to related parties**
	£	**£**
Infrastructure Investments Limited Partnership	**2,089,748**	**16,220,192**

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Comparative information for the year ended 31 January 2015 is set out below.

	Purchases from related parties £	Amounts owed to related parties £
Infrastructure Investments GP Limited	2,085,267	16,220,192

There were no sales to related parties.

During the year ended 31 January 2016, HICL Infrastructure Company Limited owned 100% of Alpha Schools (Highland) Holdings Limited. Directors' fees are charged to the Company by Infrastructure Investments Limited Partnership in respect of this shareholding, this and the subordinated loan notes due to Infrastructure Investments GP Limited make up the purchased from and amount owed to related parties.

15. Post balance sheet events

On 24 March 2016 a dividend of £800,000 was declared and paid to shareholders.

16. Ultimate parent undertaking

The company is a wholly owned subsidiary of Infrastructure Investments (Holdings) Limited, registered in England and Wales. The director considers the ultimate controlling party to be HICL Infrastructure Company Limited a company registered in the Channel Islands. These are the only group financial statements in which the company is consolidated. The group is held at fair value in HICL Infrastructure Company Limited's accounts.

17. Accounting estimates and judgments

The preparation of financial statements in conformity with FRS102 requires management to make judgments, estimates and assumptions that affect the application of application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to

Notes to the financial statements

accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.
Certain critical accounting judgments in applying the Group's accounting policies are described below:

- Accounting for the service concession contract and finance debtors requires of estimation of service margins, finance debtors interest rates and associated amortisation profile which is based on forecasted results of the PFI contract.