

Annual Report and Consolidated Financial Statements

Alpha Schools (Highland) Holdings Limited

For the Year Ended 31 January 2011

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COMPANIES HOUSE

Company No. 05508168

Officers and professional advisers

Company registration number	05508168
Registered office	1 st Floor, Phoenix House 18 King William Street London EC4N 7BP
Directors	J Boags P J Cooper G A Quaife A L Roshier (resigned 13 May 2010) H O’Gorman (appointed 19 August 2010)
Secretary	Mourant & Co Capital (SPV) Limited
Bankers	Royal Bank of Scotland Plc 142 - 144 Princes Street EH2 4EQ
Independent Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditors 1-4 Atholl Crescent Edinburgh EH3 8LQ

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Report of the directors

The directors submit their report and the audited consolidated financial statements for the year ended 31 January 2011

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. These funds were received during the year ended 31 January 2007. 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 £17,860,540 (2010 £16,828,433) 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 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

Report of the directors (continued)

Future developments

The directors do not anticipate any changes in the Group'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

	2011	2010	Method of calculation
Net debt	£140,338,079	£142,824,357	Total net debt at balance sheet date
Performance and availability deductions	0.5%	0.04%	Percentage of turnover

Results and dividends

The results for the year are set out on page 9. The profit for the year amounted to £2,039,193 (2010 £2,078,602) and has been transferred to reserves. The directors do not recommend payment of a dividend in respect of the year (2010 £1,250,000). A dividend of £700,000 was declared post year end and paid on 25 March 2011.

Directors and their interests

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

J Boags
P J Cooper
G A Quaife
A L Roshier (resigned 13 May 2010)
H O'Gorman (appointed 19 August 2010)

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 directors (continued)

Directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

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

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Financial risk management objectives and policies

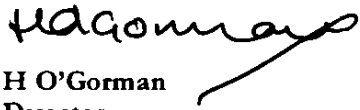
The Group's financial risk management objectives and exposures have been set out in note 11 of these financial statements

Report of the directors (continued)

Auditor

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

ON BEHALF OF THE BOARD



H O'Gorman
Director

21 July 2011

Registered in England - No 05508168
Registered Office
1st Floor Phoenix House
18 King William Street
London
EC4N 7BP

Report of the independent auditor to the members of Alpha Schools (Highland) Holdings Limited

We have audited the financial statements of Alpha Schools (Highland) Holdings Limited for the year ended 31 January 2011 which comprise the group profit and loss account, the group and parent company balance sheet, the group cash flow statement and the related notes 1 to 19. 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 Directors' 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 2011 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

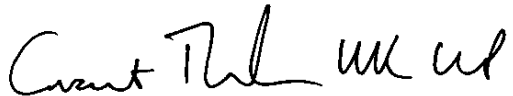
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Report of the independent auditor 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



Andrew Howie
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP,
Statutory Auditor, Chartered Accountants

Edinburgh

22 July 2011

Group profit and loss account

	Note	2011 £	2010 £
Turnover		17,860,540	16,828,433
Cost of sales		(5,487,678)	(4,248,887)
Gross profit		12,372,862	12,579,546
Administration expenses		(650,924)	(894,932)
Operating profit	2	11,721,938	11,684,614
Net interest payable	3	(8,889,726)	(8,797,665)
Profit on ordinary activities before taxation		2,832,212	2,886,949
Taxation	4	(793,019)	(808,347)
Retained profit for the year	13	2,039,193	2,078,602
Statement of retained earnings			
		2011 £	2010 £
Opening balance		3,451,603	2,623,001
Retained profit for the year		2,039,193	2,078,602
Dividends		-	(1,250,000)
Balance at 31 January		5,490,796	3,451,603

All activities are continuing

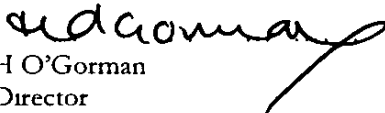
There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historic cost equivalents

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

	Note	Group		Company	
		2011 £	2010 £	2011 £	2010 £
Investments	6	-	-	50,099	50,099
Current assets					
Financial asset due for amortisation after one year	7	144,272,192	146,099,476	-	-
Financial asset due for amortisation within one year	7	1,827,285	1,691,930	-	-
Debtors - amounts falling due within one year	8	2,551,108	2,469,818	990,396	2,427,377
Debtors - amounts falling due after one year	9	191,549	317,638	15,279,796	15,109,052
Cash at bank and in hand		9,590,162	10,021,826	-	-
		158,432,296	160,600,688	16,270,192	17,536,429
Current liabilities					
Creditors - amounts falling due within one year	10	(6,159,009)	(7,450,264)	(1,040,395)	(2,477,376)
Net current assets		152,273,287	153,150,424	15,229,797	15,059,053
Total assets less current liabilities		152,273,287	153,150,424	15,279,896	15,109,152
Creditors - amounts falling due after more than one year	11	(146,732,391)	(149,648,721)	(15,229,796)	(15,059,052)
Net Assets		5,540,896	3,501,703	50,100	50,100
Capital and reserves					
Called-up share capital	12	50,100	50,100	50,100	50,100
Profit and loss reserve		5,490,796	3,451,603	-	-
Equity shareholders' funds	13	5,540,896	3,501,703	50,100	50,100


H O'Gorman
Director

The directors authorised and approved the financial statements for issue on 21 July 2011

Registered in England - No 05508168

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

Group cash flow statement

	Note	2011 £	2010 £
Operating activities			
Net cash inflow from operating activities	14	13,470,087	10,748,684
Returns on investments and servicing of finance			
Interest paid		(8,850,062)	(8,148,989)
Interest received		25,173	33,535
Dividends paid		(1,250,000)	-
Net cash flow before use of liquid resources and financing		3,395,198	2,633,230
Taxation			
UK corporation tax paid		(784,899)	(1,468,723)
Net cash flow before financing		2,610,299	1,164,507
Financing			
Issue of subordinated loan notes		-	4,856,891
Repayment of principal loan		(3,041,963)	(1,323,303)
(Decrease)/increase in cash		(431,664)	4,698,095
Opening cash		10,021,826	5,323,731
Closing cash		9,590,162	10,021,826
(Decrease)/increase in cash		(431,664)	4,698,095

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 accounts comprise a consolidation of the accounts of the Company and all of its subsidiaries for the year ended 31 January 2011. 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 will be 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 is 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 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.

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 £30,750 (2010 £27,000). Non-audit services in respect of taxation services for the year amounted to £7,750 (2010 £8,750).

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, HSBC Infrastructure Company Limited and 3i Infrastructure Plc respectively. The amounts paid were as follows:

	2011	2010
	£	£
Infrastructure Investments GP Limited	82,636	268,333
Northern Infrastructure Investments LLP	82,636	268,333
	<u>165,272</u>	<u>536,666</u>

The above amounts were expensed in full to the profit and loss account (2010 £243,220 was expensed to the profit and loss account and £293,446 was added to the financial asset).

Notes to the financial statements (continued)

3 Interest payable and similar charges

	2011	2010
	£	£
Bank interest receivable	68,121	33,535
Interest payable on loans from Alpha Schools (Highland) Project Plc	(8,957,847)	(8,929,183)
Other finance costs payable	-	(17,235)
	<u>(8,889,726)</u>	<u>(8,912,883)</u>
Transferred to financial asset	-	115,218
	<u>(8,889,726)</u>	<u>(8,797,665)</u>

4 Taxation

	2011	2010
	£	£
Tax on profit on ordinary activities comprises:		
UK Corporation tax at 28% (2010 28%)	793,019	808,347
Total current tax	<u>793,019</u>	<u>808,347</u>
Tax on profit on ordinary activities	<u>793,019</u>	<u>808,347</u>

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

	2011	2010
	£	£
Profit on ordinary activities before tax	2,832,212	2,886,949
Profit on ordinary activities at the standard UK rate of tax of 28% (2010 28%)	793,019	808,347
Current tax charge for the year	<u>793,019</u>	<u>808,347</u>

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 accounts of the parent company was £Nil (2010 £1,250,000)

Notes to the financial statements (continued)

6 Investments

The company

£

Shares in subsidiary undertaking cost

At 1 February 2010 and at 31 January 2011

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%	£5,490,896	£2,039,193
Alpha Schools (Highland) Project Plc	PFI concession company	Great Britain	100%	£50,000	£Nil

Notes to the financial statements (continued)

7 Financial asset	2011	2010
	£	£
Cost		
Brought forward at 1 February	150,309,903	147,796,444
Additions during the year		
Interest payable and other financing costs (net)	-	115,218
Construction and related costs	-	2,398,241
At 31 January	150,309,903	150,309,903
Amortisation		
Brought forward at 1 February	(2,518,497)	(982,417)
Charge for year	(1,691,929)	(1,536,080)
At 31 January	(4,210,426)	(2,518,497)
At 31 January	146,099,477	147,791,406
Financial asset - due for amortisation within one year	1,827,285	1,691,930
Financial asset - due for amortisation after one year	144,272,192	146,099,476
	146,099,477	147,791,406

Notes to the financial statements (continued)

8 Debtors - amounts falling due within one year

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Trade debtors	2,075,280	1,912,684	-	-
Prepayments	284,258	233,961	-	-
Other debtors	191,570	323,173	-	-
Interest due from Alpha Schools (Highland) Project Plc on subordinated loan notes	-	-	990,396	1,006,633
Amounts due from Alpha Schools (Highland) Project Plc	-	-	-	170,744
Dividends due from Alpha Schools (Highland) Limited	-	-	-	1,250,000
	2,551,108	2,469,818	990,396	2,427,377

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	
	2011	2010	2011	2010
	£	£	£	£
Other debtors	191,549	317,638	-	-
Amounts due from Alpha Schools (Highland) Limited	-	-	50,000	50,000
Amounts due from Alpha Schools (Highland) Project Plc	-	-	15,229,796	15,059,052
	191,549	317,638	15,279,796	15,109,052

The Group

Other debtors are due from The Highland Council.

The Company

The Company has received £15,229,796 (2010 £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	
	2011	2010	2011	2010
	£	£	£	£
Trade creditors	478,174	772,064	-	-
Other creditors and accruals	449,503	455,355	-	-
Accrued subordinated loan note interest	990,396	1,006,633	990,396	1,006,633
Corporation tax	406,347	398,208	-	-
VAT payable	638,739	370,542	-	-
Term loan and fixed rate secured bonds	3,195,850	3,197,462	-	170,744
Amounts owed to Alpha Schools (Highland) Project plc	-	-	49,999	49,999
Dividends declared	-	1,250,000	-	1,250,000
	6,159,009	7,450,264	1,040,395	2,477,376

11 Creditors - amounts falling due after more than one year

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Borrowings				
Fixed rate secured bonds	75,838,943	77,577,722	-	-
Secured bank term loans	55,663,652	57,011,947	-	-
Subordinated loan notes	15,229,796	15,059,052	15,229,796	15,059,052
	146,732,391	149,648,721	15,229,796	15,059,052
Repayable as follows				
Between one and two years	3,091,964	3,522,094	-	326,244
Between two and five years	10,232,981	10,774,592	-	1,033,614
After five years	13,407,446	135,352,035	15,229,796	13,699,194
	146,732,391	149,648,721	15,229,796	15,059,052

Notes to the financial statements (continued)

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

The 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 (2010 £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%. During the year the repayment terms of the loan note were changed and the loan notes are now 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 £1,154,149 (2010 £1,201,094).

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.

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

	2011 £	2010 £
Fixed rate borrowings	<u>149,928,241</u>	<u>152,846,183</u>

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 (2010 £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%. During the year the repayment terms of the loan note were changed and the loan notes are now repayable in three instalments beginning on 31 July 2036 and ending on 31 July 2037.

12 Called up share capital

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Authorised				
50,100 ordinary shares of £1 each	50,100	50,100	50,100	50,100
	<u>50,100</u>	<u>50,100</u>	<u>50,100</u>	<u>50,100</u>
Allotted, issued and fully paid				
50,100 ordinary shares of £1 each	50,100	50,100	50,100	50,100
	<u>50,100</u>	<u>50,100</u>	<u>50,100</u>	<u>50,100</u>

Notes to the financial statements (continued)

13 Reconciliation of movement in shareholders' funds

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Opening shareholders' funds	3,501,703	2,673,101	50,100	50,100
Profit for financial year	2,039,193	2,078,602	-	1,250,000
Dividends	-	(1,250,000)	-	(1,250,000)
Closing shareholders' funds	<u>5,540,896</u>	<u>3,501,703</u>	<u>50,100</u>	<u>50,100</u>

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

	2011	2010
	£	£
Operating profit	11,721,938	11,684,614
(Decrease)/increase in creditors	(31,528)	420,369
Decrease/(increase) in debtors	87,747	(494,137)
Decrease/(increase) in financial asset	1,691,930	(862,162)
Net cash inflow from operating activities	<u>13,470,087</u>	<u>10,748,684</u>

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

	2011	2010
	£	£
(Decrease) / increase in cash in year	(431,664)	4,698,095
Increase in net debt from issue of subordinated loan notes	-	(4,856,891)
Decrease in net debt from repayment of debt principal	3,026,717	1,323,303
Change in net debt resulting from cash flows	<u>2,595,053</u>	<u>1,164,507</u>
Other non-cash changes	(108,775)	(105,680)
Movement in net debt in the year	2,486,278	1,058,827
Opening net debt	(142,824,357)	(143,883,183)
Closing net debt	<u>(140,338,079)</u>	<u>(142,824,357)</u>

Notes to the financial statements (continued)

16 Analysis of change in group net debt

	1 February 2010 £	Cash flow £	Non-cash changes £	31 January 2011 £
Cash in hand and at bank	10,021,826	(431,664)	-	9,590,162
Debt due within one year	(3,197,462)	1,612		(3,195,850)
Debt due after one year	(149,648,721)	3,025,105	(108,775)	(146,732,391)
Total	<u>(142,824,357)</u>	<u>2,595,053</u>	<u>(108,775)</u>	<u>(140,338,079)</u>

Non-cash changes comprise the 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 2011 are set out below

	Purchases from related parties £	Amounts owed to related parties £
Galliford Try Investments Limited	117,267	9,482
3i Infrastructure plc	82,636	47,789
Morrison Facilities Services Limited	4,319,333	421,789
Infrastructure Investments Limited Partnership	82,636	39,824
	<u>4,601,872</u>	<u>518,884</u>

Comparative information for the year ended 31 January 2010 is set out below

	Purchases from related parties £	Amounts owed to related parties £
Galliford Try Investments Limited	124,548	9,063
3i Infrastructure plc	397,050	268,333
Morrison Construction Limited	3,424,284	67,718
Morrison Facilities Services Limited	4,386,192	447,118
Infrastructure Investments Limited Partnership	309,604	309,604
	<u>8,641,678</u>	<u>1,101,836</u>

There were no sales to related parties or amounts owed by related parties at 31 January 2011 or 31 January 2010

Notes to the financial statements (continued)

17 Related party transactions (continued)

HICL Infrastructure Company Limited (formerly HSBC Infrastructure Company Limited) owns 50% of Alpha Schools (Highland) Holdings Limited. Directors' fees are charged to the company by Infrastructure Investments Limited Partnership 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.

3i Infrastructure Plc owns 50% of the Company through its investment vehicle, Northern Infrastructure Investments LLP and also provides management services to the Company.

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

A dividend of £700,000 was declared post year end and paid on 25 March 2011.

19 Ultimate parent undertaking

The Directors consider the ultimate controlling parties to be HICL Infrastructure Company Limited and 3i Infrastructure Plc.