Annual Report and Consolidated Financial Statements

Alpha Schools (Highland) Holdings Limited

For the Year Ended 31 January 2012

Company No. 05508168

Officers and professional advisers

Company registration number

05508168

Registered office

1st Floor, Phoenix House
18 King William Street
London
EC4N 7BP

Directors

J Boags
P J Cooper (resigned 1 October 2011)
G A Quaife
H O'Gorman

Secretary

State Street Secretaries (UK) Limited
(UK) Limited

Bankers

Royal Bank of Scotland Plc
142 - 144 Princes Street
EH2 4EQ

Independent Auditor

Grant Thornton UK LLP
Chartered Accountants
Registered Auditors
1-4 Atholl Crescent
Edinburgh
EH3 8LQ

Contents

Report of the directors

The directors submit their report and the audited consolidated financial statements for the year ended 31 January 2012

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 £18,142,720 (2011 £17,860,540) during the current financial year The construction and other related costs of building have been treated as a financial asset which will be repaid over the life of the contract

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

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

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

	2012	2011	**Method of calculation**
Net debt	**£137,282,562**	£140,338,079	Total net debt at balance sheet date
Performance and availability deductions	**1%**	0 5%	Percentage of turnover

Although the performance and availability deductions have increased in the year, with the contractual structure in place these deductions have been passed on to their subcontractor, Morrison Facilities Services Limited

Results and dividends

The results for the year are set out on page 9 The profit for the year amounted to £2,122,640 (2011 £2,039,193) and has been transferred to reserves Dividends of £1,400,000 were declared in the year (2011 Nil), £250,000 of which was unpaid at year end

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 (resigned 1 October 2011)
G A Quaife
H O'Gorman

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

19 July 2012

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

Grant Thornton

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 2012 which comprise the group profit and loss account, the group and parent company balance sheets, 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 2012 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

Grant Thornton UK LLP

Robert Hannah
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP,
Statutory Auditor, Chartered Accountants

Edinburgh

31 **July 2012**

Group profit and loss account

	Note	2012 £	2011 £
Turnover		**18,142,720**	17,860,540
Cost of sales		**(5,827,863)**	(5,487,678)
Gross profit		**12,314,857**	12,372,862
Administration expenses		**(695,432)**	(650,924)
Operating profit	2	**11,619,425**	11,721,938
Net interest payable	3	**(8,760,209)**	(8,889,726)
Profit on ordinary activities before taxation		**2,859,216**	2,832,212
Taxation	4	**(736,576)**	(793,019)
Retained profit for the year	13	**2,122,640**	2,039,193

Statement of retained earnings

	2012 £	2011 £
Opening balance	**5,490,796**	3,451,603
Retained profit for the year	**2,122,640**	2,039,193
Dividends	**(1,400,000)**	-
Balance at 31 January	**6,213,436**	5,490,796

All activities are continuing

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

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

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

Group and company balance sheet

		Group		Company	
		2012	2011	2012	2011
	Note	£	£	£	£
Investments	6	-	-	**50,099**	50,099
Current assets					
Financial asset due for amortisation after one year	7	**142,296,569**	144,272,192	-	-
Financial asset due for amortisation within one year	7	**1,975,623**	1,827,285	-	-
Debtors - amounts falling due within one year	8	**3,080,558**	2,551,108	**1,241,219**	990,396
Debtors - amounts falling due after one year	9	**57,683**	191,549	**15,279,796**	15,279,796
Cash at bank and in hand		**9,559,185**	9,590,162	-	-
		156,969,618	158,432,296	**16,521,015**	16,270,192
Current liabilities					
Creditors - amounts falling due within one year	10	**(6,956,298)**	(6,159,009)	**(1,291,218)**	(1,040,395)
Net current assets		**150,013,320**	152,273,287	**15,229,797**	15,229,797
Total assets less current liabilities		**150,013,320**	152,273,287	**15,279,896**	15,279,896
Creditors - amounts falling due after more than one year	11	**(143,749,784)**	(146,732,391)	**(15,229,796)**	(15,229,796)
Net Assets		**6,263,536**	5,540,896	**50,100**	50,100
Capital and reserves					
Called-up share capital	12	**50,100**	50,100	**50,100**	50,100
Profit and loss reserve		**6,213,436**	5,490,796	-	-
Equity shareholders' funds	13	**6,263,536**	5,540,896	**50,100**	50,100

H O'Gorman
Director

The directors authorised and approved the financial statements for issue on 19 July 2012

Registered in England - No 05508168

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

Group cash flow statement

	Note	2012 £	2011 £
Operating activities			
Net cash inflow from operating activities	14	13,788,773	13,470,087
Returns on investments and servicing of finance			
Interest paid		(8,696,670)	(8,850,062)
Interest received		46,694	25,173
Dividends paid		(1,150,000)	(1,250,000)
Net cash flow before use of liquid resources and financing		3,988,797	3,395,198
Taxation			
UK corporation tax paid		(823,924)	(784,899)
Net cash flow before financing		**3,164,873**	**2,610,299**
Financing			
Repayment of principal loan		(3,195,850)	(3,041,963)
(Decrease)/increase in cash		**(30,977)**	**(431,664)**
Opening cash		9,590,162	10,021,826
Closing cash		9,559,185	9,590,162
(Decrease)/increase in cash		**(30,977)**	**(431,664)**

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 2012 The results of companies acquired or disposed of are consolidated from the effective date of the acquisition or to the effective date of disposal The Company has no associates or joint ventures

Investments

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

Financial asset

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

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

Deferred taxation

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

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

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 £27,050 (2011 £30,750) Non-audit services in respect of taxation services for the year amounted to £4,869 (2011 £7,750)

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, HICL Infrastructure Company Limited and 3i Infrastructure Plc respectively The amounts paid were as follows

	2012	2011
	£	£
Infrastructure Investments GP Limited	82,639	82,636
Northern Infrastructure Investments LLP	82,639	82,636
	165,278	165,272

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

Notes to the financial statements (continued)

3 Interest payable and similar charges

	2012	2011
	£	£
Bank interest receivable	**46,695**	68,121
Interest payable on corporation tax	**(54)**	-
Interest payable on loans to Alpha Schools (Highland) Project Plc	**(8,806,850)**	(8,957,847)
	(8,760,209)	(8,889,726)

4 Taxation

	2012	2011
	£	£
Tax on profit on ordinary activities comprises·		
UK Corporation tax at 26 32% (2011 28%)	**752,640**	793,019
Adjustments in respect of previous periods	**(16,064)**	-
Total current tax	**736,576**	793,019
Tax on profit on ordinary activities	**736,576**	793,019

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

	2012	2011
	£	£
Profit on ordinary activities before tax	**2,859,216**	2,832,212
Profit on ordinary activities at the standard UK rate of tax of 26 32% (2011 28%)	**752,640**	793,019
Adjustments in respect of prior periods	**(16,064)**	793,019
Current tax charge for the year	**736,576**	793,019

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 £1,400,000 (2011 Nil)

Notes to the financial statements (continued)

6 Investments

The company

	£
Shares in subsidiary undertaking cost	
At 1 February 2011 and at 31 January 2012	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%	£6,213,536	£2,122,640
Alpha Schools (Highland) Project Plc	PFI concession company	Great Britain	100%	£50,000	£Nil

7 Financial asset

	2012 £	2011 £
Cost		
Cost at 1 February 2011 and 31 January 2012	**150,309,903**	150,309,903
Amortisation		
Brought forward at 1 February	**(4,210,426)**	(2,518,497)
Charge for year	**(1,827,285)**	(1,691,929)
At 31 January	**(6,037,711)**	(4,210,426)
At 31 January	**144,272,192**	146,099,477
Financial asset - due for amortisation within one year	**1,975,623**	1,827,285
Financial asset - due for amortisation after one year	**142,296,569**	144,272,192
	144,272,192	146,099,477

Notes to the financial statements (continued)

8 Debtors - amounts falling due within one year

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
Trade debtors	**2,476,964**	2,075,280	-	-
Prepayments	**295,386**	284,258	-	-
Other debtors	**308,208**	191,570	-	-
Interest due from Alpha Schools (Highland) Project Plc on subordinated loan notes	-	-	**991,219**	990,396
Dividends due from Alpha Schools (Highland) Limited	-	-	**250,000**	-
	3,080,558	2,551,108	**1,241,219**	990,396

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	
	2012	2011	**2012**	2011
	£	£	**£**	£
Other debtors	**57,683**	191,549		-
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
	57,683	191,549	**15,279,796**	15,279,796

The Group
Other debtors are due from The Highland Council

The Company
The Company has received £15,229,796 (2011 £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	
	2012	2011	2012	2011
	£	£	£	£
Trade creditors	1,319,149	478,174	-	-
Other creditors and accruals	624,459	449,502	-	-
Accrued subordinated loan note interest	991,219	990,396	991,219	990,396
Corporation tax	174,477	406,348	-	-
VAT payable	505,030	638,739	-	-
Term loan and fixed rate secured bonds	3,091,964	3,195,850	-	-
Amounts owed to Alpha Schools (Highland) Project plc	-	-	49,999	49,999
Dividends declared	250,000		250,000	-
	6,956,298	6,159,009	1,291,218	1,040,395

11 Creditors - amounts falling due after more than one year

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Borrowings				
Fixed rate secured bonds	74,269,723	75,838,943	-	-
Secured bank term loans	54,250,265	55,663,652	-	-
Subordinated loan notes	15,229,796	15,229,796	15,229,796	15,229,796
	143,749,784	146,732,391	15,229,796	15,229,796
Repayable as follows.				
Between one and two years	3,271,157	3,091,964	-	-
Between two and five years	10,676,457	10,232,981	-	-
After five years	129,802,170	133,407,446	15,229,796	15,229,796
	143,749,784	146,732,391	15,229,796	15,229,796

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 (2011 £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 prior 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 £1,107,204 (2011 £1,154,149)

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

	2012	2011
	£	£
Fixed rate borrowings	**146,841,748**	149,928,241

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 (2011 £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 prior 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	
	2012	2011	2012	2011
	£	£	£	£
Allotted, issued and fully paid				
50,100 ordinary shares of £1 each	**50,100**	50,100	**50,100**	50,100
	50,100	50,100	**50,100**	50,100

Notes to the financial statements (continued)

13 Reconciliation of movement in shareholders' funds

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
Opening shareholders' funds	**5,540,896**	3,501,703	**50,100**	50,100
Profit for financial year	**2,122,640**	2,039,193	**1,400,000**	1,250,000
Dividends	**(1,400,000)**	-	**(1,400,000)**	(1,250,000)
Closing shareholders' funds	**6,263,536**	5,540,896	**50,100**	50,100

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

	2012	2011
	£	£
Operating profit	**11,619,425**	**11,721,938**
Increase / (decrease) in creditors	737,647	(31,528)
(Increase) / decrease in debtors	(395,584)	87,747
Decrease in financial asset	1,827,285	1,691,930
Net cash inflow from operating activities	13,788,773	**13,470,087**

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

	£	£
(Decrease) / in cash in year	**(30,977)**	**(431,664)**
Decrease in net debt from repayment of debt principal	**3,195,850**	**3,026,717**
Change in net debt resulting from cash flows	**3,164,873**	**2,595,053**
Other non-cash changes	**(109,356)**	**(108,775)**
Movement in net debt in the year	**3,055,517**	**2,486,278**
Opening net debt	**(140,338,079)**	**(142,824,357)**
Closing net debt	**(137,282,562)**	**(140,338,079)**

Notes to the financial statements (continued)

16 Analysis of change in group net debt

	1 February 2011 £	Cash flow £	Non-cash changes £	31 January 2012 £
Cash in hand and at bank	9,590,162	(30,977)	-	**9,559,185**
Debt due within one year	(3,195,850)	3,195,850	(3,091,964)	**(3,091,964)**
Debt due after one year	(146,732,391)	-	2,982,608	**(143,749,783)**
Total	(140,338,079)	3,164,873	(109,356)	**(137,282,562)**

Non-cash changes include £109,357 of amortisation costs in respect of the EIB loan and fixed rate senior guaranteed secured bonds

17 Related party transactions

The company's related parties, as defined by Financial Reporting Standard 8, and the extent of transactions with them during the year ended 31 January 2012 are set out below

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

Comparative information for the year ended 31 January 2011 is 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 GP Limited	82,636	39,824
	4,601,872	518,884

There were no sales to related parties or amounts owed by related parties at 31 January 2012 or 31 January 2011

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 GP Limited in respect of this shareholding

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

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 Ultimate parent undertaking

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