

Company Registration No. 5366823

**Transform Schools (North Lanarkshire)
Holdings Limited
Report and Financial Statements**

31 December 2013



Transform Schools (North Lanarkshire) Holdings Limited

Report and financial statements 2013

Contents	Page
Strategic report	1
Directors' report	2
Directors' responsibilities statement	4
Independent auditor's report	5
Group profit and loss account	7
Balance sheets	8
Group cash flow statement	9
Notes to the financial statements	10

Transform Schools (North Lanarkshire) Holdings Limited

For the year ended 31 December 2013

Group strategic report

The directors have pleasure in presenting their annual strategic report together with the directors' report, audited financial statements and auditor's report for the year ended 31 December 2013

Business review

On 24 May 2005, the Group entered into a Private Finance Initiative (PFI) concession contract with North Lanarkshire Council to design, build, finance and provide services for twenty-four primary and secondary schools. The concession contract finishes on 31 March 2037.

Results for the financial year are shown on page 7 of this report.

Key performance indicators

The key performance indicators during the construction stage were:

- schools became available on the scheduled date, and
- the net cash flow is in line with or better than forecast.

As at 31 December 2013, the construction programme was complete, with no works outstanding.

During the operational stage, the key performance indicators are:

- profit after tax for the year, which was £1,947k (2012: £1,517k), and
- net assets at the year end, which was £3,927k (2012: £3,930k).

The Directors consider that the performance of the company during the year was satisfactory.

Financial risk management

The financial risks which the Company is exposed to are credit risk, interest rate risk and liquidity risk. The directors' approach to financial risk management is provided in note 15.

Approved by the Board of Directors
and signed on behalf of the Board



R K Sheehan
Director

28 April 2014

Registered office

8 White Oak Square
London Road
Swanley
Kent
London

BR8 7AG

Transform Schools (North Lanarkshire) Holdings Limited

For the year ended 31 December 2013

Directors' report

The directors have pleasure in presenting their annual report for the year ended 31 December 2013

Results and dividends

The result for the year is set out on page 7. The profit for the year after taxation amounted to £1,938,000 (2012 £1,517,000). The directors paid dividends of £1,950,000 in respect of the period ended 31 December 2013 (2012 £1,500,000). The directors expect the Company to continue its operations for the foreseeable future.

Going concern

The Group believes that future economic benefits will cover the obligations that arose from the financing of the construction of the project for North Lanarkshire Council.

The directors have also considered the ability of North Lanarkshire Council (the Council) to continue to pay the Unitary fees, due under the Concession contract, to the Group and do not consider this to be a material risk. The Group's forecasts and projections, taking into account reasonably possible counterparty performance, show the Company expects to be able to continue to operate for the full term of the concession.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Key Performance Indicators

Refer to the Group strategic report, which is included on page 1 for details of the Company's key performance indicators.

Risk

Refer to the Group strategic report, which is included on page 1 for details of the key risks facing the Company.

Directors

The following were directors of the Company during the year:

J. Graham
R. K. Sheehan
R. W. Christie (resigned 07/08/13)
J. E. Haan
S. L. Jones (appointed 07/08/13)

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which remain in force at the date of this report.

Directors' share interests

No director had any interest in the issued share capital of the Company or any other Group Company at 31 December 2013 (2012: £nil).

Political contributions

The Company made no political contributions during the year (2012: £nil).

Transform Schools (North Lanarkshire) Holdings Limited

For the year ended 31 December 2013

Directors' report

Registered office

8 White Oak Square
London Road
Swanley
Kent
London
BR8 7AG

Auditor

Each of the persons who is a director at the date of approval of this report confirms that

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board



R K Sheehan
Director

28 April 2014

Registered office

8 White Oak Square
London Road
Swanley
Kent
London
BR8 7AG

Transform Schools (North Lanarkshire) Holdings Limited

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 these 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,
- 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 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 with reasonable accuracy at any time the financial position of the company and to 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Transform Schools (North Lanarkshire) Holdings Limited

We have audited the financial statements of Transform Schools (North Lanarkshire) Holdings Limited for the year ended 31 December 2013 which comprise the Group profit and loss account, the Group and Parent Company balance sheets, the Group cashflow statement and the related notes 1 to 22. 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 on page 4, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and Parent Company's affairs as at 31 December 2013 and of its 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

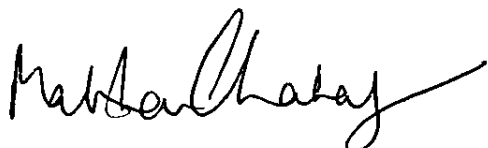
In our opinion the information in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Transform Schools (North Lanarkshire) 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 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



Makhan Chahal ACA
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
30 April 2014

Transform Schools (North Lanarkshire) Holdings Limited

Group profit and loss account For the year ended 31 December 2013

		Group	
	Notes	2013	2012
		£'000	£'000
Turnover	2	7,426	7,377
Cost of sales		(6,632)	(6,313)
Gross profit		794	1,064
Net operating expenses		(588)	(685)
Operating profit	3	206	379
Finance income (net)	4	2,328	1,663
Profit on ordinary activities before taxation		2,534	2,042
Tax on profit on ordinary activities	5	(596)	(525)
Retained profit on ordinary activities after taxation for the financial year	17	1,938	1,517

Continuing Operations

All the Company's activities were derived from continuing operations in the United Kingdom

Statement of total recognised gains and losses

There were no recognised gains or losses for either the current year and the preceding year other than those stated in the profit and loss account above, consequently no statement of total recognised gains and losses is presented

Transform Schools (North Lanarkshire) Holdings Limited

Group Balance Sheet As at 31 December 2013

	Notes	Group 2013 £'000	2012 £'000	Company 2013 £'000	2012 £'000
Fixed assets					
Investments	7	-	-	60	60
Tangible assets	8	4	6	-	-
		<u>4</u>	<u>6</u>	<u>60</u>	<u>60</u>
Current assets					
Investments	7	14,480	15,756	-	-
Construction work in progress	9	-	-	-	-
Debtors due within one year	10	2,594	2,585	-	-
Debtors finance debtor due within one year	11	12,779	13,473	-	-
Debtors finance debtor due after more than one year	11	161,251	161,578	-	-
Cash at bank and in hand		380	383	-	-
		<u>191,484</u>	<u>193,775</u>	<u>-</u>	<u>-</u>
Current liabilities					
Creditors amounts falling due within one year	12	(3,506)	(3,651)	-	-
Borrowings amounts falling due within one year	13	(7,236)	(6,824)	-	-
		<u>(10,742)</u>	<u>(10,475)</u>	<u>-</u>	<u>-</u>
Net current assets		<u>180,742</u>	<u>183,300</u>	<u>-</u>	<u>-</u>
Total assets less current liabilities		<u>180,746</u>	<u>183,306</u>	<u>60</u>	<u>60</u>
Creditors: amounts falling due after more than one year					
Borrowings	13	(159,744)	(162,292)	-	-
Loan stock	14	(17,084)	(17,084)	-	-
		<u>(176,828)</u>	<u>(179,376)</u>	<u>-</u>	<u>-</u>
Net assets		<u>3,918</u>	<u>3,930</u>	<u>60</u>	<u>60</u>
Capital and reserves					
Called up share capital	16	60	60	60	60
Profit and loss account	17	3,858	3,870	-	-
Total equity shareholders' funds	18	<u>3,918</u>	<u>3,930</u>	<u>60</u>	<u>60</u>

The financial statements of Transform Schools (North Lanarkshire) Holdings Limited, registered number 5366823 were approved by the Board of Directors on 28 April 2014

Signed on behalf of the Board of Directors



R K Sheehan
Director

Transform Schools (North Lanarkshire) Holdings Limited

Group cash flow statement For the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Net cash inflow from operating activities	19a	13,704	13,447
Returns on investments and servicing of finance			
Interest received		58	108
Interest and fees paid		(5,605)	(5,846)
		(5,547)	(5,738)
Tax paid		(592)	(335)
Equity dividends paid		(1,950)	(1,500)
Cash inflow before financing		5,615	5,874
Management of liquid resources			
Current asset investments		1,276	(149)
		1,276	(149)
Financing			
Decrease in secured bonds		(6,894)	(6,274)
		(6,894)	(6,274)
Decrease in cash in the period	19c	(3)	(549)

Transform Schools (North Lanarkshire) Holdings Limited

Notes to the financial statements For the year ended 31 December 2013

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below and they have all been applied consistently throughout the year and the preceding year.

a) Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards. They include the results of the activities described in the Director's Report all of which are continuing.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report and Directors' Report on pages 1 to 3. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in notes 13 and 14 to the financial statements. This note to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments, and its exposures to credit risk and liquidity risk.

b) Going concern

The current economic conditions create some general uncertainty. The directors have reviewed the Group's supply chain and do not believe that any specific risk has been identified. The directors have also considered the ability of North Lanarkshire Council (the Council) to continue to pay unitary fees due under the concession contract to the Group and do not consider this to be a material risk. The Group's forecasts and projections, taking account of reasonably possible counterparty performance, show the Group expects to be able to continue to operate for the foreseeable future. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

c) FRS 25 Financial Instruments: Presentation, FRS 26 Financial Instruments: Recognition and Measurement and FRS 29 Financial Instruments: Disclosure Requirements

FRS 25 and FRS 26 are required to be adopted by listed companies. The Company holds listed debt and has therefore prepared its accounts in accordance with FRS 25 and FRS 26. The Company, its Parent and all Subsidiaries of Transform Schools (North Lanarkshire) Holdings Limited adopted FRS 25 and FRS 26 to ensure that consistent accounting policies are applied within the Group.

FRS 26 provides the requirements for the measurement, recognition and derecognition of financial instruments. Adoption of the standard results in the measurement of the Company's financial liabilities at amortised cost using the effective interest rate method.

The Group has adopted FRS 29 Financial Instruments: Disclosures which is effective for annual periods beginning on or after 1 January 2007. The impact of adoption of FRS 29 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital. The parent company and its subsidiaries have not applied FRS 29 as they have taken advantage of the exemptions permitted by FRS 29.

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

Transform Schools (North Lanarkshire) Holdings Limited

Notes to the financial statements For the year ended 31 December 2013

1. Accounting policies (continued)

d) Financial assets

Financial assets have been classified into the 'loans and receivables' category, which includes cash at bank and in hand, trade and other receivables, and the Finance debtor, based on the nature and purpose of the financial assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate except for short term receivables when the recognition of interest would be immaterial.

Cash at bank and in hand comprise cash on hand, demand deposits, and other short term highly liquid investments, that are readily convertible into cash and are subject to an insignificant risk of change in value.

Financial assets are impaired where there is objective evidence that as a result of one or more events that have occurred after the initial recognition of the financial asset, the estimated future cash flows have been impacted. The carrying amount of a Finance debtor is reduced by the impairment directly with the exception of trade receivables which would be reduced through the use of an allowance account, unless it is considered that it is uncollectible.

The Group derecognises a Finance debtor only when the contractual rights to receive the cash flows from the asset expire, or it transfers the Finance debtor and substantially all the risks and rewards of ownership of the asset to another entity.

e) Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the contractual arrangements entered into. Financial liabilities, including borrowings are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis. The Group de-recognises its financial liabilities when the Group's obligations are discharged, cancelled or they expire.

The effective interest method is a method of calculating amortised costs of the financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability.

f) Group financial statements basis of consolidation

The Group financial statements include the financial statements of the Company and of its subsidiary undertakings for the year ended 31 December 2013. All intercompany balances, transactions and profits are eliminated on consolidation.

g) Investments

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

h) Turnover

Turnover represents the value net of value added tax and discounts of goods provided to customers and work carried out in respect of services provided to customers. It has been determined in accordance with FRS 5 Application Note F "Private Finance Initiative and Similar Contracts" that the balance of risks and rewards derived from the underlying assets is not borne by the Company. Accordingly, when construction is complete, the asset created under the contract will be accounted for as a Finance debtor.

Transform Schools (North Lanarkshire) Holdings Limited

Notes to the financial statements For the year ended 31 December 2013

1. Accounting policies (continued)

i) Finance debtor

The Finance debtor recorded is equal to the amounts due for the fair value of the property. The Finance debtor is reduced in subsequent years as payments are received. Revenues received from North Lanarkshire council are apportioned between capital repayments and operating revenue. The "finance income" element of the capital repayment is recorded using a property-specific rate and is shown within interest receivable. The remaining payments, being the full amounts received less the capital repayment, are recorded within operating revenue.

j) Taxation

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted, or substantively enacted, by the balance sheet date. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results stated in the financial statements that arise from the inclusion of gains or losses in tax assessment periods different from those in which they are recognised in the financial statements. A deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of the evidence available, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

k) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment. Cost represents original purchase cost. Depreciation is provided at rates calculated to write off the cost less any residual value of these assets on a straight-line basis (IT equipment 33% per annum, plant and equipment 10% per annum) over their estimated useful lives, commencing when the assets are brought into use.

l) Construction work in progress

The directly attributable costs of construction work in schools not complete at the balance sheet date are held as construction work in progress.

m) Senior secured bonds and term loan

Senior secured bonds and term loans are initially stated at the amount of the net proceeds after deduction of related issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in that period. The index-linked secured bonds and index-linked secured term loan are each valued at amortised cost, using the effective interest rate method, taking account of projected indexation across the term of the liability.

2. Turnover

	Group	
	2013	2012
	£'000	£'000
Turnover by origin and destination		
United Kingdom	7,426	7,377

Transform Schools (North Lanarkshire) Holdings Limited

Notes to the financial statements For the year ended 31 December 2013

3. Operating profit

	Group	
	2013	2012
	£'000	£'000
Operating profit is stated after charging		
Depreciation	2	1
Fees payable to the Company's auditors for the audit of the Company's annual accounts	1	1
Fees payable to the Company's auditors for the audit of the Subsidiary annual accounts	17	15
	<u>17</u>	<u>15</u>

The audit fee for the Company was borne by Transform Schools (North Lanarkshire) Limited in both the current year and preceding year

The directors received no salary, fees or other benefits from the Group in the performance of their duties in either the current year or preceding year. The Group and Company have no employees in the current year or preceding year. All costs of the directors and other staff are borne by the shareholders, who second their employees to the Company's subsidiary.

4. Finance income (net)

	Group	
	2013	2012
	£'000	£'000
Bank interest receivable	58	108
Interest receivable on Finance debtor	12,634	11,926
Interest receivable and similar income	<u>12,692</u>	<u>12,034</u>
Interest and fees payable on secured bond/senior loan	(8,942)	(8,874)
Interest payable on secured subordinated loan stock	(1,422)	(1,497)
	<u>(10,364)</u>	<u>(10,371)</u>
Finance income (net)	<u>2,328</u>	<u>1,663</u>

Transform Schools (North Lanarkshire) Holdings Limited

Notes to the financial statements For the year ended 31 December 2013

5. Taxation

	Group	
	2013	2012
	£'000	£'000
Current tax	(596)	(525)
	<u>(596)</u>	<u>(525)</u>
Tax reconciliation		
Profit on ordinary activities before taxation	2,534	2,042
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	(589)	(500)
Movement in short term timing differences	(2)	34
Adjustments in respect of previous periods	<u>(5)</u>	<u>(59)</u>

The main UK corporation tax rate was reduced from 24% to 23% from 1 April 2013. A further reduction to 21% from 1 April 2014 and 20% from 1 April 2015 was substantially enacted on 2 July 2013.

The tax charge for the period differs from the standard rate of corporation tax in the UK of 23.25% due to the differences highlighted in the table above.

6. Profit attributable to the Company

The profit for the financial period is dealt with in the financial statements of the Company, Transform Schools (North Lanarkshire) Holdings Limited, was £nil (2012: £nil). As permitted by section 408 of the Companies Act 2008, no separate profit and loss account is presented in respect of the Parent Company.

7. Short term investments

		Group		Company	
		2013	2012	2013	2012
		£'000	£'000	£'000	£'000
Shares in subsidiary undertaking	(a)	-	-	60	60
Short term deposits	(b)	14,480	15,756	-	-
		<u>14,480</u>	<u>15,756</u>	<u>60</u>	<u>60</u>
a) Shares in subsidiary undertaking					
Cost					
At 1 January		-	-	60	60
Additions		-	-	-	-
At 31 December		<u>-</u>	<u>-</u>	<u>60</u>	<u>60</u>

Transform Schools (North Lanarkshire) Holdings Limited

Notes to the financial statements For the year ended 31 December 2013

7. Short term investments (continued)

a) Shares in subsidiary undertaking (continued)

Principal subsidiary undertakings

The parent company has investments in the following subsidiary undertakings

Name	Transform Schools (North Lanarkshire) Limited
Activity	PFI Concession Company
Country of incorporation	Great Britain
Shareholding	100% Ordinary Shares
Name	Transform Schools (North Lanarkshire) Funding Plc
Activity	Funding Company
Country of incorporation	Great Britain
Shareholding	99.998% Ordinary Shares

b) Short-term deposits

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Shown as				
Current asset	14,480	15,756	-	-

Short-term deposits include £9,500k (2012: £10,160k) restricted from use in the business, being held in the Company's reserve accounts

8. Tangible fixed assets

	Group		Company	
	Plant and equipment	Total	Plant and equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2013 & 31 December 2013	23	23	-	-
Depreciation				
At 1 January 2013	17	17	-	-
Charge for the year	2	2	-	-
At 31 December 2013	19	19	-	-
Net book value				
At 31 December 2013	4	4	-	-
At 31 December 2012	6	6	-	-

Transform Schools (North Lanarkshire) Holdings Limited

Notes to the financial statements For the year ended 31 December 2013

9. Construction work in progress

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
At 1 January	-	-	-	-
Construction and related costs	247	218	-	-
Transferred to Finance debtor	(247)	(218)	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

10. Debtors: due within one year

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Trade debtors	2,171	2,120	-	-
Prepayments	344	345	-	-
Accrued income	79	120	-	-
	<u>2,594</u>	<u>2,585</u>	<u>-</u>	<u>-</u>
	<u>2,594</u>	<u>2,585</u>	<u>-</u>	<u>-</u>

Aged analysis of trade debtors

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Current	2,120	2,051	-	-
30-60 days	-	-	-	-
60-90 days	1	-	-	-
90 days +	50	69	-	-
	<u>2,171</u>	<u>2,120</u>	<u>-</u>	<u>-</u>
	<u>2,171</u>	<u>2,120</u>	<u>-</u>	<u>-</u>

Amounts outstanding over 30 days are all past due. They represent payments under review by North Lanarkshire Council in accordance with contractual dispute procedures and amounts recoverable from subcontractors in settlement of performance liabilities under the PFI subcontracts. Receivables have not been impaired as in each case the directors consider the outstanding sums to be fully recoverable by the Group and the credit quality is considered to be good.

Details of the Group's financial instruments are given in note 15 to the financial statements.

Transform Schools (North Lanarkshire) Holdings Limited

Notes to the financial statements For the year ended 31 December 2013

11. Debtors: Finance debtor

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
At 1 January	175,051	176,189	-	-
Transferred from construction work in progress	247	218	-	-
Less Council income received in the period	(13,901)	(13,282)	-	-
Add Interest income accruing	12,633	11,926	-	-
	<u>174,030</u>	<u>175,051</u>	<u>-</u>	<u>-</u>
At 31 December	174,030	175,051	-	-

Included in the Finance debtor is an amount of £161,251,000 (2012 £161,578,000) due after more than one year. Included in the above debtor is an amount of £10,175,000 (2012 £10,175,000) which relates to interest capitalised during the Construction period.

12. Creditors: amounts falling due within one year

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Accruals and deferred income	1,437	1,399	-	-
Trade creditors	656	727	-	-
Accruals	654	799	-	-
VAT	478	449	-	-
Corporation Tax	282	277	-	-
	<u>3,506</u>	<u>3,651</u>	<u>-</u>	<u>-</u>

13. Borrowings

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Borrowings	171,723	174,079	-	-
Less Arrangement fee	(4,742)	(4,963)	-	-
	<u>166,981</u>	<u>169,116</u>	<u>-</u>	<u>-</u>

Transform Schools (North Lanarkshire) Holdings Limited

Notes to the financial statements For the year ended 31 December 2013

13 Borrowings (continued)

Borrowings repayable as follows

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Within one year	7,236	6,824	-	-
Between one and two years	7,222	7,118	-	-
Between two and five years	22,030	21,336	-	-
After five years	135,235	138,801	-	-
Less Arrangement fee	(4,742)	(4,963)	-	-
	<u>166,981</u>	<u>169,116</u>	<u>-</u>	<u>-</u>

Borrowings represent amounts owing by Transform Schools (North Lanarkshire) Funding plc, which is made up of the proceeds of £72,796,000, £5,850,000 and £9,150,000 index linked secured bonds, and a £70,000,000 index linked loan from European Investment Bank. The balance is stated after the deduction of amortised issue costs of £4,742,000 (2012 £4,963,000). The terms and conditions applicable to Transform Schools (North Lanarkshire) Limited are the same as those applicable to Transform Schools (North Lanarkshire) Funding plc, copies of whose accounts are available from the registered office at 8 White Oak Square, London Road, Swanley, Kent, London, BR8 7AG.

The index-linked secured bonds, which are due for payment in 2036 of £87,796,000 were created on 8 June 2005, of which £72,796,000 were issued and sold in 2005, followed by £6,211,050 (nominal value £5,850,000) of variation bonds in 2006 and a further £9,726,084 (nominal value £9,150,000) of variation bonds in 2007.

Interest on the bonds is payable semi-annually at a rate of 2.343% plus RPI indexation, commencing on 30 September 2005. Unless previously redeemed or purchased and cancelled, the bonds will mature on 31 March 2036.

The index-linked bank secured term loan is from the European Investment Bank with repayments commencing March 2009 and semi-annually thereafter until September 2034. The loan bears interest at a rate of 1.95% plus RPI indexation. The bank loan has certain covenants attached.

The borrowings are secured by a fixed and floating charge over the whole of the Company's undertaking and assets.

Transform Schools (North Lanarkshire) Holdings Limited

Notes to the financial statements For the year ended 31 December 2013

14. Loan stock

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Loan stock	17,084	17,084	-	-
Loan stock repayable as follows				
Within one year	-	-	-	-
Between one and two years	-	-	-	-
Between two and five years	-	-	-	-
After five years	17,084	17,084	-	-
	17,084	17,084	-	-

The secured subordinated loan stock has been subscribed by Transform Schools (North Lanarkshire) Funding plc. The loan stock bears interest at a rate of 7.55% above the 6-month LIBOR, and is repayable in installments between 2009 and 2033. It is secured by second fixed and floating charges over the undertaking, property, assets and rights of the Company.

15. Financial instruments

The Group's financial instruments are shown in the table below. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments be undertaken. The Group has not entered into derivatives transactions. The main risks arising from the Company's financial instruments are credit risk, capital risk, interest rate/inflation risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged throughout the year. The Group has no significant foreign currency transactions. All the Group's borrowings are denominated in sterling.

Transform Schools (North Lanarkshire) Holdings Limited

Notes to the financial statements For the year ended 31 December 2013

15. Financial instruments (continued)

Categories of financial instruments

	2013		
	Book value		Fair value
	Loans and receivables at amortised cost including cash and short term deposits £'000	Financial liabilities at amortised cost £'000	£'000
<i>Financial assets</i>			
Trade and other receivables	2,250	-	2,250
Cash and short term deposits	14,860	-	14,860
Finance debtor	174,030	-	324,752
	<u>191,140</u>	<u>-</u>	<u>341,862</u>
Interest income in the year	12,965	-	
<i>Financial liabilities</i>			
Index-linked secured bonds	-	(92,590)	(95,322)
Index-linked bank secured term loan	-	(74,390)	(61,000)
Subordinated debt	-	(17,084)	(6,922)
Trade and other payables	-	(1,405)	(1,405)
	<u>-</u>	<u>(185,469)</u>	<u>(164,649)</u>
Interest and fee expenses in the year	-	(10,363)	
	2012		
	Book value		Fair value
	Loans and receivables at amortised cost including cash and short term deposits £'000	Financial liabilities at amortised cost £'000	£'000
<i>Financial assets</i>			
Trade and other receivables	2,240	-	2,240
Cash and short term deposits	16,139	-	16,139
Finance debtor	175,051	-	346,240
	<u>193,430</u>	<u>-</u>	<u>364,619</u>
Interest income in the year	12,034	-	
<i>Financial liabilities</i>			
Index-linked secured bonds	-	(93,940)	(97,656)
Index-linked bank secured term loan	-	(75,176)	(65,022)
Subordinated debt	-	(17,084)	(7,392)
Trade and other payables	-	(1,526)	(1,526)
	<u>-</u>	<u>(187,726)</u>	<u>(171,596)</u>
Interest and fee expenses in the year	-	(10,371)	

Transform Schools (North Lanarkshire) Holdings Limited

Notes to the financial statements For the year ended 31 December 2013

15. Financial instruments (continued)

Fair values

Market value has been used to determine the fair value of the index linked bonds. The independent valuation from the market for the index linked bonds were provided by Royal Bank of Canada, the Bond Custodian. The fair value of the index linked bonds traded in an active market is determined with reference to quoted market prices at the balance sheet date. The quoted market price used for the index linked bonds held by the Group is the current bid price.

The fair value of the index linked loan, the subordinated debt, and the Finance debtor have been calculated by discounting the expected future cash flows at appropriate discount rates. Expected future cash flows have been calculated assuming that future increases in the Retail Price Index are constant at 2.5%. The UK gilt yield curve and an assumed credit spread of 1% for the index linked loan, 2% for the Financial Debtor and 1% for the subordinated debt, have been used as appropriate discount rates.

In the opinion of the directors the fair values of the trade and other receivables, trade and other payables, and cash and other short-term deposits each equal their respective book values.

Credit risk

The Group's principal financial assets are cash and short-term deposits, trade and other receivables and the Finance debtor. The Group's credit risk is primarily attributable to its trade and other receivables and the Finance debtor. With the exception of relatively small trade receivables for activities ancillary to the PFI contracts recharged to other parties, the receivables arise from the Group's client, North Lanarkshire Council. The credit and cash flow risks are not considered significant as the client is a quasi-governmental organisation.

For cash and short-term deposits, only independently rated counterparties with a minimum medium-term senior debt rating of at least AA from Standard & Poor's and Aa2 from Moody's are accepted.

The maximum exposure to credit risk is the carrying value of the financial assets in the table above.

Capital risk management

The Group manages its capital to ensure its ability to continue as a going concern. The capital structure of the Group mainly comprises equity attributable to equity holders of Transform Schools (North Lanarkshire) Holdings Limited consisting of issued ordinary share capital, reserves and retained earnings as disclosed in Notes 16 and 17, subordinated loan stock as disclosed in Notes 14 and 20, cash at bank and in hand, and borrowings as discussed in Note 13.

The Group maintains or adjusts its capital structure through incurring new subordinated debt or repaying existing borrowings.

Interest rate/inflation risk

All borrowings are index linked and fixed rate. In addition, the unitary charge is index linked thus mitigating this risk. Interest rate risk arises on the Group's cash and short term deposits.

The majority of the Group's borrowings comprise an index linked secured bond and an index linked secured loan. Repayment of these loans, and meeting operational expenditure commitments, will be made from income which is itself subject to indexation. The Group hereby mitigates any exposure to movements in the retail price index.

A 50 basis point increase in the rate of each term deposit held would lead to £73,000 (2012: £89,000) increase in the Group's net interest receivable.

A 1% increase in the annual rate of inflation would increase expense by £109,000 (2012: £158,000). This would be attributable to the index linked secured bond and index linked secured term loan. The impact was calculated by modelling the impact of a 1% increase in the expense for the year.

Transform Schools (North Lanarkshire) Holdings Limited

Notes to the financial statements For the year ended 31 December 2013

15. Financial instruments (continued)

Interest rate/inflation risk (continued)

A 1% increase in the annual rate of inflation would increase income by £1,740,000 (2012 £1,751,000), recognised in respect of the Finance debtor. This impact was calculated by modelling the effect of a 1% increase in inflation on the future cash flows associated with the Finance debtor, and hence the sensitivity in income recognised in the year.

Liquidity risk

The Group's liquidity risk is principally managed through financing the Group by means of long term borrowings with an amortising profile that matches the expected availability of funds from the Group's operating activities.

Financial liabilities gross maturity

The following table details the Group's remaining contractual maturities for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

The gross maturity profile of the Group's non-derivative financial liabilities at 31 December was as follows:

	2013			
	Borrowings	Other financial liabilities	Total non-derivative financial liabilities	Carrying value
	£'000	£'000	£'000	£'000
Due on demand or within one year	(11,059)	(1,405)	(12,464)	(8,641)
Due within one to two years	(10,980)	-	(10,980)	(7,222)
Due within two to five years	(32,910)	-	(32,910)	(22,030)
Due after more than five years	(260,775)	-	(260,775)	(147,576)
	<u>(315,724)</u>	<u>(1,405)</u>	<u>(317,129)</u>	<u>(185,469)</u>

	2012			
	Borrowings	Other financial liabilities	Total non-derivative financial liabilities	Carrying value
	£'000	£'000	£'000	£'000
Due on demand or within one year	(10,800)	(1,526)	(12,326)	(8,350)
Due within one to two years	(11,041)	-	(11,041)	(7,118)
Due within two to five years	(32,686)	-	(32,686)	(21,336)
Due after more than five years	(271,642)	-	(271,642)	(150,922)
	<u>(326,169)</u>	<u>(1,526)</u>	<u>(327,695)</u>	<u>(187,726)</u>

Transform Schools (North Lanarkshire) Holdings Limited

Notes to the financial statements For the year ended 31 December 2013

16. Called up share capital

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Allotted, issued and fully paid share capital				
30,000 ordinary 'A' shares of £1 each	30	30	30	30
30,000 ordinary 'B' shares of £1 each	30	30	30	30
	<u>60</u>	<u>60</u>	<u>60</u>	<u>60</u>

17. Profit and loss account

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Profit and loss account				
At 1 January	3,870	3,853	-	-
Profit for the year	1,938	1,517	-	-
Dividends paid	(1,950)	(1,500)	-	-
	<u>3,858</u>	<u>3,870</u>	<u>-</u>	<u>-</u>

18 Reconciliation of movements in shareholders' funds

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Opening shareholders' funds	3,930	3,913	60	60
Profit for the year	1,938	1,517	-	-
Dividends paid	(1,950)	(1,500)	-	-
	<u>3,918</u>	<u>3,930</u>	<u>60</u>	<u>60</u>

19. a) Reconciliation of operating profit to net cash outflow from operating activities

	Group	
	2013	2012
	£'000	£'000
Operating profit	206	378
Depreciation	2	1
Increase / (decrease) in debtors	(9)	216
Increase in Finance debtor	13,654	13,064
Decrease in creditors	(149)	(211)
	<u>13,704</u>	<u>13,447</u>
Net cash outflow from operating activities		

Transform Schools (North Lanarkshire) Holdings Limited

Notes to the financial statements For the year ended 31 December 2013

19. b) Analysis and reconciliation of net debt

	At 1 January 2013 £'000	Cashflow £'000	Other non cash changes £'000	At 31 December 2013 £'000
Cash at bank and in hand	383	(3)	-	380
Secured senior loans	(169,118)	6,894	(4,757)	(166,981)
Liquid resources	15,756	(1,276)	-	14,480
Unsecured subordinated loan stock	(17,084)	-	-	(17,084)
	<u>(170,063)</u>	<u>5,615</u>	<u>(4,757)</u>	<u>(169,205)</u>

c) Reconciliation of net cash flow to movement in net debt

	Group 2013 £'000	2012 £'000
Decrease in cash	(3)	(549)
Cash outflow from secured senior loans	6,894	6,273
Cash (outflow) / inflow from (decrease) / increase in liquid resources	<u>(1,276)</u>	<u>149</u>
Change in net debt resulting from cash flows	5,615	5,873
Other non-cash changes	<u>(4,757)</u>	<u>(4,524)</u>
Movement of net debt in the period	<u>858</u>	<u>1,349</u>
Net debt as at 1 January	<u>(170,063)</u>	<u>(171,412)</u>
Net debt as at 31 December	<u>(169,205)</u>	<u>(170,063)</u>

20. Contingencies

The Company, in support of bank loan agreements made by its subsidiary, Transform Schools (North Lanarkshire) Limited, has completed its commitments to make a minimum level of investment in its subsidiary, by way of subordinated loan stock

21. Related party transactions

At 31 December 2013, the subordinated loan stock totalled £17,083,641, divided between Equitix Education 2 Limited, £8,541,821 (2012 £8,541,821) and Innisfree Nominees Limited £8,541,820 (2012 £8,541,820) split between Innisfree PFI Secondary Fund LP (ISF) and Innisfree PFI Secondary Fund 2 LP (ISF2) in the ratio 16% to 34% respectively

Subordinated debt interest accrued at 31 December 2013 totalled £358,701 (2012 £361,229), divided between Equitix Education 2 Limited for £179,351 and Innisfree Nominees Limited for £179,350 split between ISF and ISF2 in the ratio noted above

Transform Schools (North Lanarkshire) Holdings Limited

Notes to the financial statements For the year ended 31 December 2013

21. Related party transactions (continued)

Amounts payable by the Company's subsidiary to Innisfree Nominees Limited acting in its capacity as manager of ISF and ISF2 for the services of the directors of Group companies during the year totalled £13,386 (2012 £12,575), of which £1,127 (2012 £7,425) was outstanding at the year end

Amounts payable by the Company's subsidiary to Equitix Education 2 Limited for the services of the directors of Group companies during the year totalled £13,386 (2012 £11,520), of which £1,127 (2012 £1,054) was outstanding at the year end

22. Controlling parties

The ultimate controlling parties were respectively Equitix Education 2 Limited and Innisfree Nominees Limited (acting as manager for ISF and ISF2) and the company was jointly controlled by Equitix Education 2 Limited and Innisfree Nominees Limited