

Registration number: 05430208

Pinnacle Schools (Gateshead) Limited

Annual Report and Financial Statements

for the Year Ended 31 October 2016

WEDNESDAY



A65OPJVT

A22

03/05/2017

#454

COMPANIES HOUSE

Pinnacle Schools (Gateshead) Limited

Contents

Company Information	1
Strategic Report	2
Directors' Report	3
Statement of Directors' Responsibilities	4
Independent Auditor's Report	5 to 6
Profit and Loss Account	7
Statement of Comprehensive Income	8
Balance Sheet	9
Statement of Changes in Equity	10
Notes to the Financial Statements	11 to 23

Pinnacle Schools (Gateshead) Limited

Company Information

Directors	George Scott David Honeyman ACMA Robert J W Wotherspoon B.Eng., ACA
Company secretary	Kevin J Pearson BSc., ACA
Registered office	Eaton Court Maylands Avenue Hemel Hempstead Hertfordshire HP2 7TR
Auditor	Deloitte LLP Chartered Accountants and Statutory Auditor London United Kingdom

Pinnacle Schools (Gateshead) Limited

Strategic Report for the Year Ended 31 October 2016

The Directors present their Strategic Report for the year ended 31 October 2016.

Principal activity

The principal activity of the company is the operation of seven schools in Gateshead under a PPP contract with Gateshead Council.

There have not been any significant changes in the company's principal activities during the year, and no major changes are anticipated in the next year.

Fair review of the business

This is the first year that the company has presented its financial statements under Financial Reporting Standard 102 'The Financial Reporting Standard, applicable in the UK and Republic of Ireland' (FRS 102) issued by the Financial Reporting Council. The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year, the impact of which is set out in note 19.

The company's key financial indicators are turnover and profit before tax and these are discussed below.

The turnover for the year was £6,640,276 (2015 - £6,673,216) and the profit before tax for the year was £1,133,723 (2015 - £1,035,401).

Principal risks and uncertainties

The company has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the company's performance. The board has policies for managing each of these risks and they are outlined below.

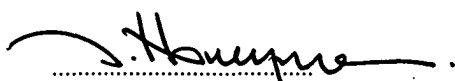
Interest rate risk: The company hedged its interest rate risk at the inception of the project either by entering into swap agreements or by fixing the interest rate.

Inflation risk: Project revenue and most of the costs are linked to the inflation rate which results in the project being largely insensitive to inflation.

Liquidity risk: The company manages its liquidity by maintaining sufficient cash and liquid resources to meet its obligations. The nature of the project is such that cash flows are reasonably predictable.

Credit risk: Revenue is receivable from a local authority and credit risk is therefore considered to be minimal.

Approved by the Board on 25 April 2017 and signed on its behalf by:


David Honeyman ACMA
Director

Pinnacle Schools (Gateshead) Limited

Directors' Report for the Year Ended 31 October 2016

The Directors present their report and the audited financial statements for the year ended 31 October 2016.

Directors of the Company

The directors who held office during the year were as follows:

George Scott

David Honeyman ACMA

Robert J W Wotherspoon B.Eng., ACA

Dividends

An interim dividend of £814,669 (£16.29 per ordinary share) was paid during the year. The directors do not recommend payment of a final dividend.

Risks and uncertainties

The company's principal risks and uncertainties are included in the Strategic Report.

Future developments

Details of future developments can be found in the Strategic Report and form part of this report by cross-reference.

Going concern

After making enquiries, the Directors have a reasonable expectation that the company 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.

Further details regarding the adoption of the going concern basis can be found in the accounting policies note in the financial statements.

Directors' liabilities

Third party indemnity provisions made by the ultimate parent company on behalf of all directors within the group were in force for the entire financial year and remain in force at the date of this report.

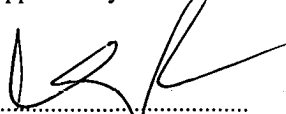
Disclosure of information to the auditor

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditor

The auditor, Deloitte LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 25 April 2017 and signed on its behalf by:


.....
Kevin J Pearson BSc., ACA
Company secretary

Pinnacle Schools (Gateshead) Limited

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards has 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 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.

Pinnacle Schools (Gateshead) Limited

Independent Auditor's Report

We have audited the financial statements of Pinnacle Schools (Gateshead) Limited for the year ended 31 October 2016, which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity 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) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities (set out 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 (APB's) Ethical Standards for Auditors to the financial statements.

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 Company'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 the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 October 2016 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 given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Pinnacle Schools (Gateshead) Limited

Independent Auditor's Report

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, 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



Andrew Clark (Senior Statutory Auditor)

For and on behalf of Deloitte LLP, Chartered Accountants and Statutory Auditor

London
United Kingdom

Date: 26 April 2017

Pinnacle Schools (Gateshead) Limited

Profit and Loss Account for the Year Ended 31 October 2016

	Note	2016 £	2015 £
Turnover	3	6,640,276	6,673,216
Cost of sales		<u>(3,048,368)</u>	<u>(3,068,703)</u>
Gross profit		3,591,908	3,604,513
Administrative expenses		<u>(15,308)</u>	<u>(14,750)</u>
Operating profit		<u>3,576,600</u>	<u>3,589,763</u>
Other interest receivable and similar income	4	22,307	23,267
Interest payable and similar charges	5	<u>(2,465,184)</u>	<u>(2,577,629)</u>
		<u>(2,442,877)</u>	<u>(2,554,362)</u>
Profit before tax		1,133,723	1,035,401
Taxation	8	<u>(226,745)</u>	<u>(211,363)</u>
Profit for the financial year		<u>906,978</u>	<u>824,038</u>

The above results were derived from continuing operations.

The notes on pages 11 to 23 form an integral part of these financial statements.

Pinnacle Schools (Gateshead) Limited

Statement of Comprehensive Income for the Year Ended 31 October 2016

	Note	2016 £	2015 £
Profit for the year		906,978	824,038
Unrealised loss on cash flow hedges		<u>(1,364,084)</u>	<u>(839,115)</u>
Total comprehensive income for the year		<u>(457,106)</u>	<u>(15,077)</u>

The notes on pages 11 to 23 form an integral part of these financial statements.

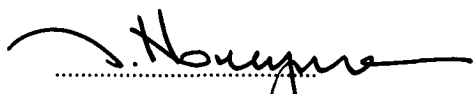
Pinnacle Schools (Gateshead) Limited

(Registration number: 05430208)

Balance Sheet as at 31 October 2016

	Note	2016 £	2015 £
Current assets			
Debtors due in less than one year	9	2,384,496	2,205,605
Debtors due in more than one year	9	44,161,973	45,353,514
Cash at bank and in hand	10	<u>3,082,942</u>	<u>2,995,812</u>
		49,629,411	50,554,931
Creditors: Amounts falling due within one year	11	<u>(5,087,381)</u>	<u>(4,954,829)</u>
Total assets less current liabilities		44,542,030	45,600,102
Creditors: Amounts falling due after more than one year	11	(46,255,028)	(46,484,106)
Provisions for liabilities	12	<u>(4,873,494)</u>	<u>(4,430,713)</u>
Net liabilities		<u>(6,586,492)</u>	<u>(5,314,717)</u>
Capital and reserves			
Called up share capital	13	50,000	50,000
Other reserves		(9,025,218)	(7,361,700)
Profit and loss account		<u>2,388,726</u>	<u>1,996,983</u>
Total equity		<u>(6,586,492)</u>	<u>(5,314,717)</u>

Approved and authorised by the Board on 25 April 2017 and signed on its behalf by:



David Honeyman ACMA

Director

The notes on pages 11 to 23 form an integral part of these financial statements.

Pinnacle Schools (Gateshead) Limited

Statement of Changes in Equity for the Year Ended 31 October 2016

	Share capital £	Other reserves £	Profit and loss account £	Total £
At 1 November 2015	50,000	(7,361,700)	1,996,983	(5,314,717)
Profit for the year	-	-	906,978	906,978
Other comprehensive income	-	(1,663,518)	299,434	(1,364,084)
Total comprehensive income	-	(1,663,518)	1,206,412	(457,106)
Dividends	-	-	(814,669)	(814,669)
At 31 October 2016	50,000	(9,025,218)	2,388,726	(6,586,492)

	Share capital £	Other reserves £	Profit and loss account £	Total £
At 1 November 2014	50,000	(6,496,849)	1,746,808	(4,700,041)
Profit for the year	-	-	824,038	824,038
Other comprehensive income	-	(864,851)	25,736	(839,115)
Total comprehensive income	-	(864,851)	849,774	(15,077)
Dividends	-	-	(599,599)	(599,599)
At 31 October 2015	50,000	(7,361,700)	1,996,983	(5,314,717)

The notes on pages 11 to 23 form an integral part of these financial statements.

Pinnacle Schools (Gateshead) Limited

Notes to the Financial Statements for the Year Ended 31 October 2016

1 General information

The company is a private company limited by share capital incorporated in United Kingdom.

The address of its registered office is:

Eaton Court
Maylands Avenue
Hemel Hempstead
Hertfordshire
HP2 7TR
United Kingdom

These financial statements were authorised for issue by the Board on 25 April 2017.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year. For more information see note 19.

Basis of preparation

These financial statements have been prepared using the historical cost convention except, as disclosed in the accounting policies, certain items are shown at fair value.

Departure from requirements of FRS 102

Qualifying entity exemptions

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in these separate company financial statements in relation to financial instruments and presentation of a cash flow statement.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the company is set out in the balance sheet and the accompanying notes to the financial statements. A description of the company's investment risk is also set out in the Strategic Report.

After making enquiries, the Directors have a reasonable expectation that the company 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.

Pinnacle Schools (Gateshead) Limited

Notes to the Financial Statements for the Year Ended 31 October 2016

Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

PPP service concession: Accounting for the service concession contracts and financial assets requires an estimation of service margins, which are based on forecasted revenues and costs of the PPP contract.

Debtors: The recoverability of the company's debtors has been assessed by the Directors and, where any uncertainty has been identified, sufficient provisions have been posted to reflect uncertainty.

Key sources of estimation uncertainty

There are no key sources of estimation uncertainty.

Turnover

PPP turnover is recognised by allocating a proportion of total cash received over the life of the project to service costs by means of a deemed constant rate of return on those costs. Management model these costs over the lifetime of the project to estimate the likely total costs. The residual element of projected cash is allocated to the financial asset using the effective interest rate method, giving rise to interest income which is also recorded in turnover.

Taxation

Tax for the year comprises current tax and deferred tax. Tax is recognised in the profit or loss account, except where an item of income or expense is recognised within other comprehensive income, in which case the related tax is also recognised within other comprehensive income.

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Finance debtor

The company is an operator of a PPP contract. The underlying asset is not deemed to be an asset of the company under old UK GAAP, because the risks and rewards of ownership as set out in that standard are deemed to lie principally with Gateshead Council. This treatment was grandfathered on transition to FRS 102.

During the construction phase of the project, all attributable expenditure was included in work in progress. Upon becoming operational, the costs were transferred to the finance debtor via a deemed disposal of work in progress.

During the operational phase income is allocated between the capital repayment of the finance debtor and interest income using a project specific interest rate. The remainder of the PPP unitary charge income is included within turnover on a margin of costs basis and is described in more detail in the turnover accounting policy.

Pinnacle Schools (Gateshead) Limited

Notes to the Financial Statements for the Year Ended 31 October 2016

Trade debtors

Trade debtors are amounts due from customers for services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Cash at bank and in hand

Cash at bank and in hand comprise cash in hand, call deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the profit and loss account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Provisions

Provisions are recognised when the company has an obligation at the reporting date as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Under the terms of the contract, there is a programme of expected expenditure for the maintenance of the schools. In recognition of this obligation, a lifecycle provision has been created and represents the difference between the annual charges for maintenance, as per the contract terms, and those costs actually incurred.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Pinnacle Schools (Gateshead) Limited

Notes to the Financial Statements for the Year Ended 31 October 2016

Financial Instruments

Classification

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Recognition and measurement

Basic financial assets, including trade and other receivables, cash and bank balances and investments in short-term deposits, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised costs using the effective interest method.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Basic financial liabilities, including trade and other payables, Senior loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of Senior loan facilities are recognised at transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Impairment

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Pinnacle Schools (Gateshead) Limited

Notes to the Financial Statements for the Year Ended 31 October 2016

Derivative financial instruments and hedging

Derivatives

Derivatives, including interest rate swaps, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss within finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

Hedging

The company applies hedge accounting for transactions entered into in order to manage the cash flow exposures of borrowings. Interest rate swaps are held to manage the interest rate exposures and are designed as cash flow hedges of floating rate borrowings.

Changes in fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in equity. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in profit or loss.

The gain or loss recognised in other comprehensive income is reclassified to profit or loss when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated.

3 Turnover

The analysis of the company's turnover for the year from continuing operations is as follows:

	2016	2015
	£	£
PPP service contract	<u>6,640,276</u>	<u>6,673,216</u>

All turnover is generated in the United Kingdom.

4 Other interest receivable and similar income

	2016	2015
	£	£
Bank interest receivable	<u>22,307</u>	<u>23,267</u>

5 Interest payable and similar charges

	2016	2015
	£	£
Interest on bank loans and other borrowings	<u>2,465,184</u>	<u>2,577,629</u>

6 Information regarding directors and employees

The company had no employees during the year (2015 - None) and therefore no staff costs (2015 - £Nil). Emoluments of £6,830 (2015 - £6,743) were paid to the directors in respect of their services to the company.

Pinnacle Schools (Gateshead) Limited

Notes to the Financial Statements for the Year Ended 31 October 2016

7 Auditors' remuneration

	2016	2015
	£	£
Audit of the financial statements	<u>15,308</u>	<u>14,750</u>

8 Taxation

Tax charged in the profit and loss account

	2016	2015
	£	£
Current taxation		
UK corporation tax at 20% (2015 - 20.41%)	<u>226,745</u>	<u>211,363</u>

Deferred tax

Deferred tax assets (see note 9)

	Asset
	£
2016	
Short term timing differences	<u>1,624,539</u>
2015	
Short term timing differences	<u>1,325,106</u>

There were no unrecognised deferred tax assets or liabilities (2015 - £Nil).

Tax relating to items recognised in other comprehensive income or equity

	2016	2015
	£	£
Deferred tax related to items recognised as items of other comprehensive income	<u>229,434</u>	<u>25,736</u>

The United Kingdom Corporation Tax rate fell from 21% to 20% from 1 April 2015 and will reduce from 20% to 19% with effect from 1 April 2017. The Finance Act 2016 proposed a further reduction to the Corporation Tax main rate to 17% with effect from 1 April 2020. The Finance Act 2016 was enacted on 15 September 2016.

Pinnacle Schools (Gateshead) Limited

Notes to the Financial Statements for the Year Ended 31 October 2016

9 Debtors

	2016 £	2015 £
Due in less than one year:		
Trade debtors	886,419	800,383
Finance debtor	1,490,974	1,398,589
Prepayments	7,103	6,633
	<u>2,384,496</u>	<u>2,205,605</u>

	2016 £	2015 £
Due in more than one year:		
Finance debtor	42,537,434	44,028,408
Deferred tax assets	1,624,539	1,325,106
	<u>44,161,973</u>	<u>45,353,514</u>

10 Cash at bank and in hand

	2016 £	2015 £
Cash at bank	1,370,264	1,386,579
Short-term deposits	1,712,678	1,609,233
	<u>3,082,942</u>	<u>2,995,812</u>

Short-term deposits held by the company have an original maturity of 6 months or less. At the balance sheet date the average maturity of deposits was 6 months (2015 - 5 months). The average interest rate was 0.72% (2015 - 0.70%). They are measured at amortised cost.

11 Creditors

	2016 £	2015 £
Due within one year		
Loans and borrowings	1,923,774	1,892,180
Arrangement fees	(43,490)	(45,743)
Trade creditors	47,458	88,034
Corporation tax	226,745	211,364
VAT	296,628	321,059
Other payables	1,294,822	1,278,384
Accrued expenses	1,341,444	1,209,551
	<u>5,087,381</u>	<u>4,954,829</u>

Pinnacle Schools (Gateshead) Limited

Notes to the Financial Statements for the Year Ended 31 October 2016

	Note	2016 £	2015 £
Due after one year			
Loans and borrowings	15	38,934,613	40,858,341
Arrangement fees		(409,981)	(457,551)
Other payables		<u>7,730,396</u>	<u>6,083,316</u>
		<u>46,255,028</u>	<u>46,484,106</u>

12 Provisions for liabilities

	Other provisions £
At 1 November 2015	4,430,713
Increase (decrease) in existing provisions	562,416
Provisions used	<u>(119,635)</u>
At 31 October 2016	<u>4,873,494</u>

Other provisions relate to lifecycle costs. It is impracticable to estimate the timing of the utilisation of lifecycle costs. Amounts included within provisions have not been discounted.

13 Share capital

Allotted, called up and fully paid shares

	2016		2015	
	No.	£	No.	£
Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>

14 Reserves

Share capital

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

Other reserves

Included in other reserves is a hedging reserve which is used to record transactions arising from the company's cash flow hedging arrangements.

Profit and loss account

The profit and loss account represents the company's total retained earnings available for distribution.

The changes to each component of equity resulting from items of other comprehensive income for the current year were as follows:

Pinnacle Schools (Gateshead) Limited

Notes to the Financial Statements for the Year Ended 31 October 2016

	Other reserves	Retained earnings	Total
	£	£	£
Unrealised loss on cash flow hedges	<u>(1,663,518)</u>	<u>299,434</u>	<u>(1,364,084)</u>

The changes to each component of equity resulting from items of other comprehensive income for the prior year were as follows:

	Other reserves	Retained earnings	Total
	£	£	£
Unrealised loss on cash flow hedges	<u>(864,851)</u>	<u>25,736</u>	<u>(839,115)</u>

15 Loans and borrowings

	2016	2015
	£	£
Non-current loans and borrowings		
Senior loans	36,507,138	38,430,866
Loan notes	<u>2,427,475</u>	<u>2,427,475</u>
	<u>38,934,613</u>	<u>40,858,341</u>

	2016	2015
	£	£
Current loans and borrowings		
Senior loans	<u>1,923,774</u>	<u>1,892,180</u>

Included in the loans and borrowings are the following amounts due after more than five years:

	2016	2015
	£	£
After more than five years by instalments	28,512,938	30,616,501
After more than five years not by instalments	<u>2,427,475</u>	<u>2,427,475</u>
	<u>30,940,413</u>	<u>33,043,976</u>

Loans and borrowings after five years

The company has the following Senior loan:

Senior loan of £38,430,912 accrues interest on a semi annual basis at the aggregate of an applicable margin and the MLA cost. The applicable margin varies but will not exceed 0.95% per annum. The senior loan is due for repayment in 2032 and is secured over the assets of the subsidiary. The senior loan is repayable by non-equal instalments.

The company has the following Loan notes:

Loan notes of £2,427,475 accrue interest on a semi annual basis at 13.5% per annum. The loan notes can be repaid at any time at the request of either the note holder or note issuer, but at the latest, must be repaid in 2033. As at the date of signing these financial statements, no further repayment has been requested and therefore the entire loan notes balance is included within creditors: amounts falling due after more than one year.

Pinnacle Schools (Gateshead) Limited

Notes to the Financial Statements for the Year Ended 31 October 2016

Debt Service Reserve

In addition to the loan notes, a debt service reserve facility of £2,239,000 (2015 - £2,239,000) is available.

16 Dividends

	2016 £	2015 £
Interim dividend of £16.29 (2015 - £11.99) per ordinary share	<u>814,669</u>	<u>599,599</u>

The directors are not proposing a final dividend (2015 - £Nil).

17 Related party transactions

The company has taken advantage of the exemption available in accordance with section 33.1A of FRS 102 not to disclose transactions entered into between two or more members of a group where any subsidiary party to the transaction is wholly-owned by such a member.

18 Parent and ultimate controlling party

The company's immediate parent is Pinnacle Schools (Gateshead) Holdings Limited, incorporated in United Kingdom.

The ultimate parent is Newarthill Limited, incorporated in United Kingdom.

The most senior parent entity producing publicly available financial statements is Newarthill Limited. These financial statements are available upon request from Eaton Court, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 7TR, United Kingdom.

The ultimate controlling party is The McAlpine Partnership Trust.

Pinnacle Schools (Gateshead) Limited

Notes to the Financial Statements for the Year Ended 31 October 2016

Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is Newarthill Limited, incorporated in United Kingdom.

The address of Newarthill Limited is:

Eaton Court, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 7TR.

Publicly available financial statements are available from the same address.

The parent of the smallest group in which these financial statements are consolidated is Sir Robert McAlpine Limited, incorporated in United Kingdom.

The address of Sir Robert McAlpine Limited is:

Eaton Court, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 7TR.

Publicly available financial statements are available from the same address.

19 Transition to FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements prepared under the previous UK GAAP were for the year ended 31 October 2015. The date of transition to FRS 102 was 1 November 2014. Set out below is the impact of the changes in accounting policies which reconcile total equity as at 1 November 2014 and 31 October 2015 between UK GAAP as previously reported and FRS 102.

There were no transitional adjustments impacting the profit and loss account for the financial year ended 31 October 2015 therefore no reconciliation is shown.

Pinnacle Schools (Gateshead) Limited

Notes to the Financial Statements for the Year Ended 31 October 2016

Balance Sheet at 1 November 2014

	Note	As originally reported £	Reclassification £	Remeasurement £	As restated £
Current assets					
Debtors due in less than one year		2,265,475	-	-	2,265,475
Debtors due in more than one year	19.2	45,426,997	-	1,299,370	46,726,367
Cash at bank and in hand		<u>2,771,910</u>	<u>-</u>	<u>-</u>	<u>2,771,910</u>
		50,464,382	-	1,299,370	51,763,752
Creditors: Amounts falling due within one year					
	19.1	<u>(3,707,883)</u>	<u>47,984</u>	<u>(1,335,417)</u>	<u>(4,995,316)</u>
Total assets less current liabilities		46,756,499	47,984	(36,047)	46,768,436
Creditors: Amounts falling due after more than one year					
	19.1	(42,339,751)	(47,984)	(5,161,432)	(47,549,167)
Provisions for liabilities		<u>(3,919,310)</u>	<u>-</u>	<u>-</u>	<u>(3,919,310)</u>
Net assets/(liabilities)		<u>497,438</u>	<u>-</u>	<u>(5,197,479)</u>	<u>(4,700,041)</u>
Capital and reserves					
Called up share capital		50,000	-	-	50,000
Other reserves	19.1	-	-	(6,496,849)	(6,496,849)
Profit and loss account	19.2	<u>447,438</u>	<u>-</u>	<u>1,299,370</u>	<u>1,746,808</u>
Total equity		<u>497,438</u>	<u>-</u>	<u>(5,197,479)</u>	<u>(4,700,041)</u>

Pinnacle Schools (Gateshead) Limited

Notes to the Financial Statements for the Year Ended 31 October 2016

Balance Sheet at 31 October 2015

	Note	As originally reported £	Reclassification £	Remeasurement £	As restated £
Current assets					
Debtors due in less than one year		2,205,605	-	-	2,205,605
Debtors due in more than one year	19.2	44,028,408	-	1,325,106	45,353,514
Cash at bank and in hand		<u>2,995,812</u>	<u>-</u>	<u>-</u>	<u>2,995,812</u>
		49,229,825	-	1,325,106	50,554,931
Creditors: Amounts falling due within one year					
	19.1	<u>(3,722,188)</u>	<u>45,743</u>	<u>(1,278,384)</u>	<u>(4,954,829)</u>
Total assets less current liabilities		45,507,637	45,743	46,722	45,600,102
Creditors: Amounts falling due after more than one year					
	19.1	(40,355,047)	(45,743)	(6,083,316)	(46,484,106)
Provisions for liabilities		<u>(4,430,713)</u>	<u>-</u>	<u>-</u>	<u>(4,430,713)</u>
Net assets/(liabilities)		<u>721,877</u>	<u>-</u>	<u>(6,036,594)</u>	<u>(5,314,717)</u>
Capital and reserves					
Called up share capital		50,000	-	-	50,000
Other reserves	19.1	-	-	(7,361,700)	(7,361,700)
Profit and loss account	19.2	<u>671,877</u>	<u>-</u>	<u>1,325,106</u>	<u>1,996,983</u>
Total equity		<u>721,877</u>	<u>-</u>	<u>(6,036,594)</u>	<u>(5,314,717)</u>

19.1 Derivative financial instruments

FRS 102 requires derivative financial instruments to be recognised at fair value. Previously under UK GAAP the company did not recognise these instruments in the financial statements.

On transition to FRS 102 the company has adopted cash flow hedging to manage its exposure to interest rate risk. Accordingly at transition, current liabilities of £1,335,417, non-current liabilities of £5,161,432 and a hedging reserve of £6,496,849 were recognised. A pre-tax loss of £nil was recognised in profit and loss and a loss of £864,851 was recognised in other comprehensive income for the year ended 31 October 2015. Current liabilities of £1,278,384, non-current liabilities of £6,083,316 and a hedging reserve of £7,361,700 were recognised at 31 October 2015.

19.2 Deferred taxation

The impact on deferred tax as a result of the adjustments above was to recognise a deferred tax asset of £1,299,370 at 1 November 2014. The deferred tax assets was increased by £25,736 to £1,325,106 at 31 October 2015.