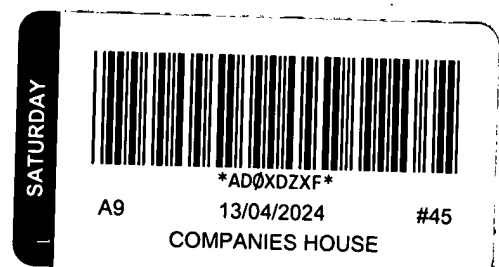


Registration number: 05430208

# Pinnacle Schools (Gateshead) Limited

Annual Report and Financial Statements

for the Year Ended 31 October 2023



# **Pinnacle Schools (Gateshead) Limited**

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# **Pinnacle Schools (Gateshead) Limited**

## **Company Information**

**Directors** 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  
United Kingdom

**Auditor** Mazars LLP  
Statutory Auditor  
30 Old Bailey  
London  
United Kingdom  
EC4M 7AU

## **Pinnacle Schools (Gateshead) Limited**

### **Strategic Report for the Year Ended 31 October 2023**

The Directors present their Strategic Report for the year ended 31 October 2023.

#### **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 activity during the year, and no major changes are anticipated in the next year.

#### **Fair review of the business**

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

The turnover for the year was £4,939,232 (2022 - £4,600,356) and the profit before tax for the year was £1,160,886 (2022 - £992,792).

The Company has a net equity of £2,381,819 (2022 - £2,151,999) which includes a hedge reserve deficit of £334,553 (2022 - £121,673).

#### **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.

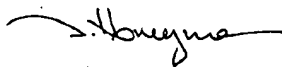
**Interest rate risk:** The Company hedged its interest rate risk at the inception of the project either by entering into swap agreements or by fixing the interest rate.

**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 5 April 2024 and signed on its behalf by:



.....  
David Honeyman ACMA  
Director

## **Pinnacle Schools (Gateshead) Limited**

### **Director's Report for the Year Ended 31 October 2023**

The Directors present their report and the financial statements for the year ended 31 October 2023.

#### **Directors of the Company**

The Directors who held office during the year and to the date of this report, unless otherwise stated were as follows:

David Honeyman ACMA

Robert J W Wotherspoon B.Eng., ACA

#### **Dividends**

Interim dividends of £510,000 (£10.20 per ordinary share) were paid during the year (2022 - interim dividends of £499,000 (£9.98 per ordinary share)). 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**

The Directors have prepared detailed model forecasts incorporating the relevant terms of the PFI contract, subcontracts and credit agreements, and have adopted prudent assumptions in relation to economic and operational factors. In preparing these forecasts, the Directors have considered external economic factors including supply chain pressures arising from the Russian-Ukraine war and other global price increases.

The detailed model forecasts predict that the Company will have sufficient cash resources to meet its liabilities as they fall due for a period of 12 months from the date of signing 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.

## **Pinnacle Schools (Gateshead) Limited**

### **Director's Report for the Year Ended 31 October 2023**

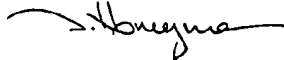
#### **Disclosure of information to the auditor**

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

Approved by the Board on 5 April 2024 and signed on its behalf by:



.....  
David Honeyman ACMA  
Director

## **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 then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; 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 to the Members of Pinnacle Schools (Gateshead) Limited**

#### **Opinion**

We have audited the financial statements of Pinnacle Schools (Gateshead) Limited (the 'Company') for the year ended 31st October 2023 which comprise the Profit and Loss Account, the Statement of Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31st October 2023 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.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

#### **Other information**

The other information comprises the information included in the Annual Report and financial statements, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



## **Pinnacle Schools (Gateshead) Limited**

### **Independent Auditor's Report to the Members of Pinnacle Schools (Gateshead) Limited**

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

#### **Responsibilities of directors**

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: health and safety regulation and anti-money laundering regulation.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

## **Pinnacle Schools (Gateshead) Limited**

### **Independent Auditor's Report to the Members of Pinnacle Schools (Gateshead) Limited**

- Inquiring of management and, where appropriate, those charged with governance, as to whether the Company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation and the Companies Act 2006.

In addition, we evaluated the Directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to, revenue recognition (which we pinpointed to accuracy), derivative financial instruments (which we pinpointed to valuation) and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the Directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Use of our report**

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.



Jon Barnard (Apr 5, 2024 19:01 GMT+1)

.....  
Jonathan Barnard (Senior Statutory Auditor)  
For and on behalf of Mazars LLP,  
Statutory Auditor  
30 Old Bailey, London, United Kingdom  
EC4M 7AU

5 April 2024

## Pinnacle Schools (Gateshead) Limited

### Profit and Loss Account for the Year Ended 31 October 2023

	Note	2023 £	2022 £
Turnover	3	4,939,232	4,600,356
Cost of sales		<u>(4,309,343)</u>	<u>(4,016,121)</u>
Gross profit		629,889	584,235
Administrative expenses		<u>(28,774)</u>	<u>(24,904)</u>
Operating profit		<u>601,115</u>	<u>559,331</u>
Interest receivable and similar income	4	2,276,478	2,276,066
Interest payable and similar expenses	5	<u>(1,716,707)</u>	<u>(1,842,605)</u>
		<u>559,771</u>	<u>433,461</u>
Profit before tax		1,160,886	992,792
Taxation	8	<u>(261,406)</u>	<u>(188,630)</u>
Profit for the financial year		<u><u>899,480</u></u>	<u><u>804,162</u></u>

The above results were derived from continuing operations.

The notes on pages 13 to 23 form an integral part of these financial statements.

**Pinnacle Schools (Gateshead) Limited**

**Statement of Other Comprehensive Income for the Year Ended 31 October 2023**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Profit for the year	899,480	804,162
Unrealised (loss)/gain on cash flow hedges, net of deferred tax	<u>(159,660)</u>	<u>3,852,744</u>
Total Other Comprehensive Income for the year	<u><u>739,820</u></u>	<u><u>4,656,906</u></u>

The notes on pages 13 to 23 form an integral part of these financial statements.

# Pinnacle Schools (Gateshead) Limited

(Registration number: 05430208)  
Balance Sheet as at 31 October 2023

	Note	2023 £	2022 £
<b>Current assets</b>			
Debtors due in less than one year	9	2,498,805	3,072,909
Debtors due in more than one year	9	29,030,535	31,310,402
Cash and cash equivalents	10	4,339,985	4,245,823
		<u>35,869,325</u>	<u>38,629,134</u>
<b>Creditors: Amounts falling due within one year</b>	11	<u>(3,388,029)</u>	<u>(4,251,315)</u>
<b>Net current assets</b>		<u>32,481,296</u>	<u>34,377,819</u>
<b>Total assets less current liabilities</b>		32,481,296	34,377,819
<b>Creditors: Amounts falling due after more than one year</b>	11	(24,408,716)	(26,548,287)
<b>Derivative financial instruments</b>	12	(334,553)	(121,673)
<b>Provisions for liabilities</b>	13	<u>(5,356,208)</u>	<u>(5,555,860)</u>
<b>Net assets</b>		<u>2,381,819</u>	<u>2,151,999</u>
<b>Capital and reserves</b>			
Called up share capital	14	50,000	50,000
Hedging reserve	15	(334,553)	(121,673)
Profit and loss account	15	<u>2,666,372</u>	<u>2,223,672</u>
<b>Total equity</b>		<u>2,381,819</u>	<u>2,151,999</u>

Approved and authorised by the Board on 5 April 2024 and signed on its behalf by:



.....  
David Honeyman ACMA  
Director

# **Pinnacle Schools (Gateshead) Limited**

## **Statement of Changes in Equity for the Year Ended 31 October 2023**

	<b>Share capital</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 November 2021	50,000	(5,258,666)	3,202,759	(2,005,907)
Profit for the year	-	-	804,162	804,162
Other comprehensive income	-	5,136,993	(1,284,249)	3,852,744
Total comprehensive income	-	5,136,993	(480,087)	4,656,906
Dividends	-	-	(499,000)	(499,000)
At 31 October 2022	50,000	(121,673)	2,223,672	2,151,999

	<b>Share capital</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 November 2022	50,000	(121,673)	2,223,672	2,151,999
Profit for the year	-	-	899,480	899,480
Other comprehensive loss	-	(212,880)	53,220	(159,660)
Total comprehensive income	-	(212,880)	952,700	739,820
Dividends	-	-	(510,000)	(510,000)
At 31 October 2023	50,000	(334,553)	2,666,372	2,381,819

The notes on pages 13 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 2023**

#### **1 General information**

The Company is a private company limited by share capital, incorporated in United Kingdom and registered in England and Wales.

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 5 April 2024.

#### **2 Accounting policies**

##### **Summary of significant accounting policies and key accounting estimates and judgements**

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'.

##### **Basis of preparation**

These financial statements have been prepared using the historical cost convention.

##### **Departure from requirements of FRS 102**

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;
- presentation of a cash flow statement; and
- information on compensation paid to key management personnel.

Equivalent disclosures are included in the financial statements of Newarthill Limited.

##### **Going concern**

The Directors have prepared detailed model forecasts incorporating the relevant terms of the PFI contract, subcontracts and credit agreements, and have adopted prudent assumptions in relation to economic and operational factors. In preparing these forecasts, the Directors have considered external economic factors including supply chain pressures arising from the Russian-Ukraine war and other global price increases.

The detailed model forecasts predict that the Company will have sufficient cash resources to meet its liabilities as they fall due for a period of 12 months from the date of signing the financial statements.

## **Pinnacle Schools (Gateshead) Limited**

### **Notes to the Financial Statements for the Year Ended 31 October 2023**

#### **Critical accounting judgements and key sources of estimation and uncertainty**

In the process of applying the Company's accounting policies the Directors make certain judgements and estimates that impact the amounts recognised in the financial statements. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant areas of estimation are:

**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.

**Derivative financial instruments:** The Company use derivative financial instruments to manage the interest rate risk to which it is exposed within its long-term contractual agreements. These derivatives are initially recognised as assets and liabilities at their fair value and subsequently remeasured at each balance sheet date at their fair value. The fair value of derivatives, assessed by discounting future cash flows, constantly changes in response to prevailing market conditions.

#### **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.

#### **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 income**

A proportion of total cash received over the life of the project is allocated to the financial asset using the effective interest rate method, giving rise to finance income.

#### **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.



## **Pinnacle Schools (Gateshead) Limited**

### **Notes to the Financial Statements for the Year Ended 31 October 2023**

#### **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.

#### **Cash and cash equivalents**

Cash and cash equivalents can include 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.

## **Pinnacle Schools (Gateshead) Limited**

### **Notes to the Financial Statements for the Year Ended 31 October 2023**

#### **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.

#### **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 2023**

#### **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:

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
PPP service contract	<u>4,939,232</u>	<u>4,600,356</u>

All turnover is generated in the United Kingdom.

#### **4 Interest receivable and similar income**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Finance debtor interest	2,140,458	2,276,066
Bank interest receivable	<u>136,020</u>	<u>-</u>
	<u>2,276,478</u>	<u>2,276,066</u>

#### **5 Interest payable and similar expenses**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Interest on bank loans and other borrowings	<u>1,716,707</u>	<u>1,842,605</u>

## Pinnacle Schools (Gateshead) Limited

### Notes to the Financial Statements for the Year Ended 31 October 2023

#### 6 Information regarding Directors and employees

The Company had no employees during the year (2022 - None) and therefore no staff costs (2022 - £Nil). No Emoluments were paid to the Directors in respect of their services to the Company (2022 - £Nil). During the year £41,593 (2022 - £38,243) was payable to Sir Robert McAlpine Capital Ventures Limited in respect of Directors fees.

#### 7 Auditor remuneration

	2023 £	2022 £
Audit of the financial statements	<u>28,774</u>	<u>24,904</u>

#### 8 Taxation

Tax charged in the profit and loss account

	2023 £	2022 £
<b>Current taxation</b>		
UK corporation tax	<u>261,406</u>	<u>188,630</u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2022 - the same as the standard rate of corporation tax in the UK) of 22.52% (2022 - 19%).

The differences are reconciled below:

	2023 £	2022 £
Profit before tax	<u>1,160,886</u>	<u>992,792</u>
Corporation tax at standard rate	<u>261,432</u>	<u>188,630</u>
Total tax charge	<u>261,432</u>	<u>188,630</u>

In the February 2022, the UK Government enacted a new corporation tax rate for large companies, as part of the Finance Act 2022, raising the rate from 19% to 25% with effect from 1 April 2023.

There were no unrecognised deferred tax assets or liabilities (2022 - £Nil).

## Pinnacle Schools (Gateshead) Limited

### Notes to the Financial Statements for the Year Ended 31 October 2023

#### Deferred tax

Deferred tax assets recoverable after 12 months

	Asset £
<b>2023</b>	
Short term timing differences	83,638
	<u>83,638</u>

	Asset £
<b>2022</b>	
Short term timing differences	30,418
	<u>30,418</u>

#### Tax relating to items recognised in other comprehensive income or equity

	2023 £	2022 £
Deferred tax related to items recognised as items of other comprehensive income	<u>53,220</u>	<u>(1,284,249)</u>

#### 9 Debtors

	2023 £	2022 £
<b>Due in less than one year:</b>		
Trade debtors	156,461	884,387
Finance debtor	2,333,087	2,188,522
Prepayments	9,257	-
	<u>2,498,805</u>	<u>3,072,909</u>

	2023 £	2022 £
<b>Due in more than one year:</b>		
Finance debtor	28,946,897	31,279,984
Deferred tax assets	83,638	30,418
	<u>29,030,535</u>	<u>31,310,402</u>

## Pinnacle Schools (Gateshead) Limited

### Notes to the Financial Statements for the Year Ended 31 October 2023

#### 10 Cash and cash equivalents

	2023 £	2022 £
Cash at bank	<u>4,339,985</u>	<u>4,245,823</u>

#### 11 Creditors

	Note	2023 £	2022 £
<b>Due within one year</b>			
Loans and borrowings	16	2,170,290	2,089,996
Arrangement fees		(33,146)	(35,627)
Corporation tax	8	261,406	401,890
VAT		206,015	220,314
Accrued expenses		<u>783,464</u>	<u>1,574,742</u>
		<u>3,388,029</u>	<u>4,251,315</u>
<b>Due after one year</b>			
Loans and borrowings	16	24,545,770	26,715,987
Arrangement fees		<u>(137,054)</u>	<u>(167,700)</u>
		<u>24,408,716</u>	<u>26,548,287</u>

#### 12 Financial Derivative instruments

##### Interest rate swap

The Company has entered into a cash flow hedge to receive interest at floating rates of interest and pay interest at a fixed rate of 4.405% for maturities ranging between 2018 and 2037.

The hedging arrangement fixes the total interest payable on the Senior loans to 5.26%.

During 2023, a hedging loss of £159,660 (2022 - gain of £3,852,744 ) net of deferred tax was recognised in other comprehensive income for changes in the fair value of the interest rate swap.

The swaps are based on a principal amount of £24,288,585, part of the principal amount of the Company's Senior loan facilities, and mature on the same dates as the Senior loans.

The fair value liability of the financial instruments designated as hedging instruments at 31 October 2023 is £334,553 (2022 - £121,673).

The fair value liability of the interest rate swap increased by £212,880 (2022: reduced by £5,136,933).

The amount reclassified from equity to profit or loss for the year is £83,932 (2022: £1,004,842).

The instruments are used to hedge the Company's exposure to interest rate movements on the Senior loans.

Cash flows on the Senior loans and the interest rate swaps are paid semi-annually.

## Pinnacle Schools (Gateshead) Limited

### Notes to the Financial Statements for the Year Ended 31 October 2023

#### 13 Other provisions

	Other provisions £
At 1 November 2022	5,555,860
Additional provisions	641,690
Provisions used	<u>(841,342)</u>
At 31 October 2023	<u>5,356,208</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.

#### 14 Share capital

##### Allotted, called up and fully paid shares

	No.	2023 £	No.	2022 £
Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>

#### 15 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.

##### Hedging reserve

This 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:

	Hedging reserve £	Profit and loss account £	Total £
Unrealised (loss)/gain on cash flow hedges	<u>(212,880)</u>	<u>53,220</u>	<u>(159,660)</u>

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

	Hedging reserve £	Profit and loss account £	Total £
Unrealised gain/(loss) on cash flow hedges	<u>5,136,993</u>	<u>(1,284,249)</u>	<u>3,852,744</u>

# Pinnacle Schools (Gateshead) Limited

## Notes to the Financial Statements for the Year Ended 31 October 2023

### 16 Loans and borrowings

	2023 £	2022 £
<b>Current loans and borrowings</b>		
Senior loans	<u>2,170,290</u>	<u>2,089,996</u>
	2023 £	2022 £
<b>Non-current loans and borrowings</b>		
Senior loans	22,118,295	24,288,512
Loan notes	<u>2,427,475</u>	<u>2,427,475</u>
	<u>24,545,770</u>	<u>26,715,987</u>

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

	2023 £	2022 £
After more than five years by instalments	12,424,512	15,338,563
After more than five years not by instalments	<u>2,427,475</u>	<u>2,427,475</u>
	<u>14,851,987</u>	<u>17,766,038</u>

### Other loans after five years

The Company has the following Senior loan:

Senior loan of £24,288,585 (2022 - £26,378,508) 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 Company. The Senior loan is repayable by non-equal instalments.

The Company has the following Loan notes:

Loan notes of £2,427,475 (2022 - £2,427,475) accrue interest on a semi annual basis at 13.5% per annum. The loan notes 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.

The provider of the loan notes is a fellow subsidiary of the Newarthill Limited group.

### Debt Service Reserve

In addition to the loan notes, a debt service reserve facility of £2,239,000 (2022 - £2,239,000) is available.



## **Pinnacle Schools (Gateshead) Limited**

### **Notes to the Financial Statements for the Year Ended 31 October 2023**

#### **17 Dividends**

##### **Interim dividends paid**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Interim dividend of £10.20 (2022 - £9.98) per each Ordinary shares	<u>510,000</u>	<u>499,000</u>

The Directors are not proposing a final dividend (2022 - £Nil).

#### **18 Parent and ultimate parent undertaking**

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

The ultimate parent is Newarthill Limited, incorporated in the 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.

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

#### **19 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.