

**SALFORD SCHOOLS SOLUTIONS
LIMITED**

Directors' Report and Financial Statements

Year ended 31 December 2009

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SALFORD SCHOOLS SOLUTIONS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2009

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SALFORD SCHOOLS SOLUTIONS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M Rawlinson
T J Hesketh
M D Canham
R Cooper

REGISTERED OFFICE

Epsilon
Windmill Hill Business Park
Whitehill Way
Swindon
Wiltshire
SN5 6NX

BANKERS

HSBC
City of London Branch
60 Queen Victoria Street
London
EC4N 4TR

AUDITOR

Baker Tilly UK Audit LLP
Hartwell House
55 - 61 Victoria Street
Bristol
BS1 6AD

SALFORD SCHOOLS SOLUTIONS LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2009

PRINCIPAL ACTIVITY

The Company's principal activity is the design, construction, financing, operation and maintenance of two secondary schools under a Government Private Finance Initiative (PFI) program for the benefit of Salford City Council

The construction of Buile Hill Visual Arts College and Harrop Fold School was completed in August 2008 and both schools were handed over on 1 September 2008. The contract has now entered the 25 year service delivery period which lasts until 31 August 2033

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The results for the year are in line with budget. The Directors anticipate that the Company will perform in line with budget in the coming financial year

DIVIDENDS

The Directors do not recommend the payment of a dividend (2008 £Nil)

KEY PERFORMANCE INDICATORS ("KPIs")

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business

GOING CONCERN

The Company's business activities and principal risks and uncertainties are detailed elsewhere in the Directors' Report. The Directors have reviewed the budget for the foreseeable future, and have considered the projected cash flows based on the contractual receipts and payments of cash. They project that the loan covenant terms will be met for the foreseeable future. Having considered the risks and uncertainties of the business, their projections for the future performance of the Company, and the current uncertain economic environment, 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 financial statements

DIRECTORS

The directors who served during the period, and to the date of signing, were as follows

- M Rawlinson
- D A Brooking Resigned 31 July 2009
- T J Hesketh
- M D Canham
- R Cooper Appointed 31 July 2009

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 section 418 of the Companies Act 2006

SALFORD SCHOOLS SOLUTIONS LIMITED

DIRECTORS' REPORT (CONTINUED)

FINANCIAL RISK MANAGEMENT

The financial risk management policy of the Company is designed to identify and manage risk at the earliest possible point. The Company keeps a detailed risk register which is formally reviewed by the Board on a quarterly basis.

The Company does not undertake financial instrument transactions that are speculative or unrelated to the Company's trading activities. Board approval is required for the use of any new financial instrument, and the Company's ability to enter into any new transaction is constrained by covenants in its existing funding agreement.

The Company's exposure to and management of price risk, credit risk, liquidity risk and interest rate cash flow risk is detailed below.

Price risk

The Company's price risk is managed through the twenty five year service delivery element of the project agreement with Salford City Council which provides for payments that are fixed subject to performance and inflation indexation and through sub-contracts with suppliers that largely mirror the provisions of the project agreement with Salford City Council.

Credit risk

Cash flows are generated from the availability of the schools and from the maintenance provided to Salford City Council. Cash flows are secured under a long-term contract with Salford City Council, whose liabilities are effectively underwritten by the Government.

Liquidity risk

The Company's liquidity risk is principally managed through financing the Company by means of long-term and short-term borrowings which are tailored to match expected cost and revenues arising from the contract under the Private Finance Initiative. In addition, the Company has access to a debt service reserve facility which provides short-term liquidity against future debt service requirements.

Interest rate cash flow risk

The Company has interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances which earn interest at variable rates. Interest bearing liabilities include term loans and loan notes. Loan notes bear interest at a fixed rate. Term loans bear interest at variable rates and so the Company also enters into interest rate swaps, the purpose of which is to manage the interest rate risk arising from these borrowings.

USE OF FINANCIAL INSTRUMENTS

Information on the Company's use of financial instruments is described in note 15.

AUDITOR

During the year, Deloitte LLP resigned as auditor and Baker Tilly UK Audit LLP were appointed. Baker Tilly UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by



M Rawlinson

Director

Date 26 March 2010

SALFORD SCHOOLS SOLUTIONS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

UK 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 judgments 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SALFORD SCHOOLS SOLUTIONS LIMITED

We have audited the financial statements of Salford Schools Solutions Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. 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 auditors

As explained more fully in the Directors' Responsibilities Statement 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 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

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on 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 December 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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.

Baker Tilly UK Audit LLP

Andrew Allchin (Senior Statutory Auditor)
for and on behalf of Baker Tilly UK Audit LLP
Chartered Accountants and Statutory Auditors
Hartwell House, 55 – 61 Victoria Street,
Bristol, BS1 6AD
Date

30-03-2010

SALFORD SCHOOLS SOLUTIONS LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2009

	Note	2009 £	Restated 2008 £
TURNOVER		4 494,511	15,578,994
Cost of sales		(4,178,196)	(15 484,066)
GROSS PROFIT		316,315	94,928
Administrative expenses		(270,017)	(89,870)
OPERATING PROFIT		46,298	5,058
Interest receivable and similar income	2	2,255,965	894,371
Interest payable and similar charges	3	(2,366,905)	(842,467)
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(64,642)	56,962
Taxation on (loss) / profit on ordinary activities	5	12,794	(11,295)
(LOSS) / PROFIT FOR THE FINANCIAL YEAR	10,11	(51,848)	45,667

All results above relate entirely to continuing operations

There are no gains or losses for the current or preceding years other than the (loss) / profit as stated above
Accordingly no statement of total recognised gains and losses has been presented

SALFORD SCHOOLS SOLUTIONS LIMITED

BALANCE SHEET as at 31 December 2009

	Note	2009 £	Restated 2008 £
CURRENT ASSETS			
Debtors due within one year	6	859,637	785,788
Debtors due after more than one year	6	36,644,890	34,542,160
Cash at bank and in hand		1,122,771	3,769,788
		<u>38,627,298</u>	<u>39,097,736</u>
CREDITORS: amounts falling due within one year	7	<u>(2,533,722)</u>	<u>(5,005,111)</u>
NET CURRENT ASSETS		36,093,576	34,092,625
CREDITORS: amounts falling due after more than one year	8	<u>(36,045,490)</u>	<u>(33,992,691)</u>
NET ASSETS		<u>48,086</u>	<u>99,934</u>
CAPITAL AND RESERVES			
Called up share capital	9	40,000	40,000
Profit and loss account	10	8,086	59,934
SHAREHOLDER'S FUNDS	11	<u>48,086</u>	<u>99,934</u>

These financial statements were approved and authorised for issue by the Board of Directors on 26 March 2010 and were signed on its behalf by



M Rawlinson
Director

SALFORD SCHOOLS SOLUTIONS LIMITED

CASH FLOW STATEMENT for the year ended 31 December 2009

	Note	2009 £	Restated 2008 £
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	14(a)	(1,414,899)	(11,859,377)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		2,255,965	894,371
Interest paid		(2,398,731)	(842,467)
NET CASH (OUTFLOW) / INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(142,766)	51,904
TAXATION			
Corporation tax paid		(11,820)	(3,504)
NET CASH OUTFLOW BEFORE FINANCING		(1,569,485)	(11,810,977)
FINANCING			
Loans drawn down		3,172,199	22,504,898
Loans repaid		(4,249,731)	(7,471,632)
NET CASH (OUTFLOW) / INFLOW FROM FINANCING		(1,077,532)	15,033,266
(DECREASE) / INCREASE IN CASH		(2,647,017)	3,222,289

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Note	2009 £	Restated 2008 £
(Decrease) / increase in cash in the year		(2,647,017)	3,222,289
Cash outflow / (inflow) from changes in debt		1,077,532	(15,033,266)
Other non cash changes		(64,005)	-
Movement in net debt in the year	14(b)	(1,633,490)	(11,810,977)
Net debt at 1 January	14(b)	(34,356,751)	(22,545,774)
Net debt at 31 December	14(b)	(35,990,241)	(34,356,751)

SALFORD SCHOOLS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2009

1. ACCOUNTING POLICIES

A summary of the principal accounting policies, which have been applied consistently throughout the current and preceding year, is set out below

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable Accounting Standards in the United Kingdom

Going concern

The Company's business activities and principal risks and uncertainties are detailed in the Directors' Report. The Directors have reviewed the budget for the foreseeable future, and have considered the projected cash flows based on the contractual receipts and payments of cash. They project that the loan covenant terms will be met for the foreseeable future. Having considered the risks and uncertainties of the business, their projections for the future performance of the Company, and the current uncertain economic environment, 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 financial statements.

Taxation

Current tax, including UK corporation tax and foreign 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 provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Turnover and long term contracts

The project agreement with Salford City Council provides for the charging of a unitary fee from the date the schools are made available until the end of the service delivery agreement. The unitary fee is fixed subject to performance and inflation indexation.

During the construction phase, construction costs incurred are recorded as cost of sales. Turnover is also recognised in relation to the construction work performed but no profit on construction is recognised. The turnover recognised is included within the 'financial asset' described below. If construction costs are forecast to exceed amounts which can be subsequently recovered, a loss is recognised as soon as this is foreseen.

Amounts recoverable on long-term contracts, which are included in debtors, represent future amounts due over the life of the service delivery contract for the fair value of the construction work on the schools. This financial asset comprises the construction turnover recognised up to the balance sheet date, other directly attributable costs, interest on loan facilities used to finance the construction less amounts collected to date.

Interest is recorded on the financial asset at a constant rate based on the carrying amount.

The unitary fee charged is split between services provided (which is recorded as turnover), collection of the financial asset, payment of interest on the financial asset and deferred income.

Turnover in relation to both construction and services provided is recorded, net of VAT and arises entirely in the UK.

Capitalisation of finance costs

Interest arising on loans taken out to fund the construction of an asset are capitalised within amounts recoverable on long-term contracts until the construction is completed and the asset is handed over to the customer.

SALFORD SCHOOLS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2009

1. ACCOUNTING POLICIES (CONTINUED)

Capital instruments

Share capital is included in shareholder's funds. Debt instruments which contain an obligation to repay, are classified as liabilities. In accordance with FRS 4 (Capital Instruments), the costs associated with the issue of debt instruments are charged to the Profit and Loss account over the life of the instruments at a constant rate based on the carrying amount.

Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to interest rate fluctuations. The Company does not hold or issue derivative financial instruments for speculative purposes. Details of the Company's interest rate swap contracts are given in note 15.

Dividends

Dividends to the Company's ordinary shareholders are recognised as a liability when the amount has been agreed by the Board of Directors, the Company's senior debt provider and have been paid.

Restatement of Prior Year Numbers

Where appropriate and as highlighted in the statements and notes to the accounts, some comparatives have been reclassified as the Directors are of the opinion that this more fairly reflects the nature of the affected balances.

2. INTEREST RECEIVABLE AND SIMILAR INCOME

	2009	Restated 2008
	£	£
Bank interest receivable	-	195,584
Interest on finance debtor	2,255,965	698,787
	<u>2,255,965</u>	<u>894,371</u>

Bank interest receivable has been restated in the comparatives to include £175,824 of interest receivable on interest rate swap contracts which was previously netted off bank interest payable (see note 3).

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2009	Restated 2008
	£	£
Bank interest payable	1,968,892	833,921
Other interest payable	334,008	-
Amortisation of debt issue costs	64,005	8,546
	<u>2,366,905</u>	<u>842,467</u>

SALFORD SCHOOLS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2009

4. (LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Employee costs

The Company had no employees in the year other than the directors (2008 nil)

Auditor's remuneration

Auditor's remuneration for the audit was £3,100 payable to Baker Tilly UK Audit LLP (2008 £4,500 payable to Deloitte LLP)

5. TAXATION ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of tax (credits) / charges in the period

	2009 £	2008 £
Current tax		
UK corporation tax on (losses) / profits in the period	-	11,820
Adjustment in respect of previous periods	(12,794)	(525)
Total current tax	<u>(12,794)</u>	<u>11,295</u>
Deferred tax		
Origination and reversal of timing differences	-	-
Tax on (loss) / profit on ordinary activities	<u>(12,794)</u>	<u>11,295</u>

(b) Factors affecting tax (credits) / charges for the period

The tax assessed for the year is higher (2008 lower) than the standard rate of tax applicable to small companies in the UK of 21% (2008 20.75%). A blended rate of 20.75% was used in the prior year to represent the change of standard rate from 20% to 21% in April 2008. The differences are explained below

	2009 £	2008 £
(Loss) / profit on ordinary activities before taxation	<u>(64,642)</u>	<u>56,962</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 21% (2008 20.75%)	(13,575)	11,820
Expenses not deductible for tax purposes	13,575	-
Adjustment in respect of previous periods	(12,794)	(525)
Current tax (credit) / charge for the period	<u>(12,794)</u>	<u>11,295</u>

SALFORD SCHOOLS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2009

6. DEBTORS

	2009	Restated 2008
	£	£
Amounts recoverable on long-term contracts due within one year	729,867	691,986
Trade debtors	-	12,263
Other debtors	2,252	25,644
Prepayments and accrued income	114,181	55,895
Corporation tax	13,337	-
	<u>859,637</u>	<u>785,788</u>
Debtors due within one year	859,637	785,788
Amounts recoverable on long-term contracts due after more than one year	36,644,890	34,542,160
	<u>37,504,527</u>	<u>35,327,948</u>
Total debtors	37,504,527	35,327,948

Interest payable was being capitalised until the practical completion date. Included in amounts recoverable on long-term contracts is interest totalling £2,038,727 (2008: £2,038,727).

£4,536,668 of amounts recoverable on long-term contracts has been reclassified from amounts due within one year to amounts due after more than one year in the comparatives as the Directors are of the opinion that this more fairly represents the rate that these amounts will be recovered.

Balances totalling £65,277 have been reclassified from other debtors to cash at bank and in hand in the comparatives as the Directors are of the opinion that this more fairly reflects the nature of these balances (see note 14(b)).

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009	2008
	£	£
Bank loans (note 8)	1,067,522	4,133,848
Trade creditors	1,725	15,698
Corporation tax	-	11,277
Other creditors	152,389	-
Accruals and deferred income	1,312,086	844,288
	<u>2,533,722</u>	<u>5,005,111</u>

SALFORD SCHOOLS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2009

8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2009	2008
	£	£
Other loans	3,021,340	-
Bank loans	33,024,150	33,992,691
	<u>36,045,490</u>	<u>33,992,691</u>

In accordance with FRS 4, issue costs of £489,605 (2008 £553,610) have been set off against the total loan drawdowns. The amount set off against loans falling due within one year is £34,768 (2008 £64,005) and after more than one year is £454,837 (2008 £489,605).

Maturity of debt

The loans are repayable as follows

	2009	2008
	£	£
Due within one year (note 7)	1,067,522	4,133,848
Due between one and two years	978,785	1,075,219
Due between two and five years	3,139,492	3,060,607
Due in more than five years	31,927,213	29,856,865
	<u>37,113,012</u>	<u>38,126,539</u>

Bank loans

The bank loans comprise senior debt and equity bridge debt

The senior debt consists of a loan that is repayable by December 2032 with principal repayments on the loan which commenced in September 2008. The amount of the senior debt loan drawdown as at 31 December 2009 is £34,495,157 (2008 £35,505,454), with £1,102,290 (2008 £1,023,158) falling due within one year and £33,392,867 (2008 Restated £34,482,296) after more than one year. The interest rate on the loan has been fixed at 5.60% per annum until September 2015 through the use of a swap.

The amount of the equity bridge loan drawdown as at 31 December 2009 is £Nil (2008 £3,174,695), with £Nil (2008 £3,174,695) being due within one year. The interest rate on the loan was fixed at 5.05% per annum by the use of a swap. The equity bridge debt was repaid from the proceeds of subordinated loan notes subscribed for in February 2009.

The bank loans are secured by floating charges over all the assets, rights and undertakings of the Company.

Other loans

Other loans comprise Unsecured Subordinated Loan Notes 2006 (the "loan notes")

The loan notes carry a coupon of 12.8% and interest is paid quarterly in arrears on 31 March, 30 June, 30 September and 31 December each calendar year.

Providing certain defaults are not made by the Company, the loan notes are due for repayment on the termination of the service delivery contract. As such the loan notes have been classified in debt due in more than five years. Part or all of the loan notes can be redeemed earlier at the option of the Company.

The terms of the loan notes state that payments of interest and repayments of the loan principal are only to be made if sufficient funds are available to avoid a breach of covenants in the Company's banking facilities and whilst the Company is not in the process of a liquidation or other such winding-up proceedings. No such covenant breaches have occurred during the current or prior year.

SALFORD SCHOOLS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2009

9. SHARE CAPITAL

	2009 £	2008 £
Allotted, called up and fully paid 40,000 ordinary shares of £1 each, issued at par	40 000	40,000

10. PROFIT AND LOSS ACCOUNT

	£
At 1 January 2009	59,934
Loss for the financial year	(51,848)
At 31 December 2009	8,086

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2009 £	2008 £
Opening shareholder's funds	99,934	54 267
(Loss) / profit for the financial year	(51,848)	45,667
Closing shareholder's funds	48,086	99,934

12. FINANCIAL COMMITMENTS

The Company is committed to the provision of design and construction services. The total value contracted but not provided for is £Nil (2008 £2,923.428)

13. CONTROLLING PARTY

The Company's immediate parent undertaking and controlling party is Salford Schools Solutions Holdco Limited, a company registered in England and Wales, with ownership of this company shared equally between HOCHTIEF PPP Schools Capital Limited and NEIF Project Investments Limited. Accordingly, there is no overall parent company and no ultimate controlling party.

14. NOTES TO THE CASH FLOW STATEMENT

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

	2009 £	Restated 2008 £
Operating profit	46,298	5,058
Increase in debtors	(2,163,242)	(10,851,390)
Increase / (decrease) in creditors	702,045	(1,013,045)
Net cash outflow from operating activities	(1,414,899)	(11 859,377)

SALFORD SCHOOLS SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2009

14. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

(b) Analysis of net debt

	Restated At 1 January 2009 £	Cash flow £	Non-cash movements £	At 31 December 2009 £
Cash at bank and in hand	3,769,788	(2,647,017)	-	1,122,771
Debt due within one year	(4,133,848)	4,249,731	(1,183,405)	(1,067,522)
Debt due in more than one year	(33,992,691)	(3,172,199)	1,119,400	(36,045,490)
Net debt	(34,356,751)	(1,569,485)	(64,005)	(35,990,241)

Non-cash movements comprise transfers between categories of debt and amortisation of issue costs

Included within cash at bank and in hand are sums totalling £164,917 (2008 Restated £65,277) which represent balances held in specific bank accounts for future maintenance purposes. The Company is required to maintain specific Maintenance Reserve balances under the terms of its Accounts Agreement with NIBC Bank N V. Previously these amounts were included in other debtors and hence have been restated in the comparatives as the Directors are of the opinion that this more fairly reflects the nature of these balances.

15. DERIVATIVES NOT INCLUDED AT FAIR VALUE

The fair values of the Company's derivatives are as follows

	Principal		Fair value	
	2009 £	2008 £	2009 £	2008 £
Interest rate swap contracts	34,685,191	38,880,548	(1,866,259)	(4,719,417)

The Company uses derivatives to manage the exposure to interest rate movements on its senior and equity bridge debt. The fair values are based on market values of equivalent instruments at the balance sheet date.

The interest rate swap contracts have fixed interest receipts at an average rate of 4.74% over the life of the swap contracts, which terminate on 31 December 2032, and have floating interest payments at LIBOR.

16. RELATED PARTY TRANSACTIONS

At 31 December 2009 an amount of £1,553,730 (2008 £Nil) was owed to HOCHTIEF PPP Schools Capital Limited (which owns 50% of the Company's parent company) and £1,553,730 (2008 £Nil) was owed to NEIF Project Investments Limited (which owns 50% of the Company's parent company). Both of the above relate to amounts of the Company's loan notes held.

The interest payable in the year on the above loan notes was £167,004 (2008 £Nil) to HOCHTIEF PPP Schools Capital Limited and £167,004 (2008 £Nil) to NEIF Project Investments Limited. At 31 December 2009 an amount of £50,128 (2008 £Nil) was owed to HOCHTIEF PPP Schools Capital Limited and £50,128 (2008 £Nil) was owed to NEIF Project Investments Limited in respect of accrued interest.