

COMMUNITY SCHOOLS (HIGHLANDS) LIMITED

AUDITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED
31 MARCH 2013**

MONDAY



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COMPANIES HOUSE

 **Wellden
Turnbull LLP**
Chartered Accountants • Chartered Tax Advisers
Statutory Auditors

 **UK200Group**
independent quality assured professionals

COMMUNITY SCHOOLS (HIGHLANDS) LIMITED

COMPANY INFORMATION

DIRECTORS

Mr R. J. Austin
Mr A. T. S. Parry

COMPANY SECRETARY

Mr A. T. S. Parry

REGISTERED NUMBER

SC210981

REGISTERED OFFICE

Dundas & Wilson LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EN

INDEPENDENT AUDITORS

Wellden Turnbull LLP
Chartered Accountants and Statutory Auditors
78 Portsmouth Road
Cobham
Surrey
KT11 1PP

COMMUNITY SCHOOLS (HIGHLANDS) LIMITED

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COMMUNITY SCHOOLS (HIGHLANDS) LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MARCH 2013

The directors present their report and the financial statements for the period ended 31 March 2013.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom 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;
- 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.

PRINCIPAL ACTIVITY

The principal activity of the company during the year was that of designing, constructing, financing, maintaining and providing building management services for schools under the Government's Private Finance Initiative ("PFI").

DIRECTORS

The directors who served during the period were:

Mr R. J. Austin
Mr A. T. S. Parry

PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:


- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

COMMUNITY SCHOOLS (HIGHLANDS) LIMITED

**DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 MARCH 2013**

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 27 September 2013 and signed on its behalf.



Mr A. T. S. Parry
Director

COMMUNITY SCHOOLS (HIGHLANDS) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF COMMUNITY SCHOOLS (HIGHLANDS) LIMITED

We have audited the financial statements of Community Schools (Highlands) Limited for the period ended 31 March 2013, set out on pages 5 to 13. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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 Auditors' 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, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 March 2013 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; 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 period for which the financial statements are prepared is consistent with the financial statements.

COMMUNITY SCHOOLS (HIGHLANDS) LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF COMMUNITY SCHOOLS
(HIGHLANDS) LIMITED**

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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' report.



Robin John FCA CTA (Senior statutory auditor)

for and on behalf of
Wellden Turnbull LLP

Chartered Accountants
Statutory Auditors

78 Portsmouth Road
Cobham
Surrey
KT11 1PP

30 September 2013

COMMUNITY SCHOOLS (HIGHLANDS) LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 MARCH 2013**

| | Note | 2013 £ | 2012 £ |
|--|------|----------------------|-----------------------|
| TURNOVER | 1 | 355,700 | 1,582,942 |
| Cost of sales | | <u>(150,650)</u> | <u>(997,406)</u> |
| GROSS PROFIT | | 205,050 | 585,536 |
| Administrative expenses | | <u>(99,814)</u> | <u>(138,154)</u> |
| OPERATING PROFIT | 2 | 105,236 | 447,382 |
| Interest receivable and similar income | | 777,748 | 1,182,109 |
| Interest payable and similar charges | | <u>(717,960)</u> | <u>(1,130,590)</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 165,024 | 498,901 |
| Tax on profit on ordinary activities | 4 | <u>(74,949)</u> | <u>(131,071)</u> |
| PROFIT FOR THE FINANCIAL PERIOD | 11 | <u><u>90,075</u></u> | <u><u>367,830</u></u> |

The notes on pages 8 to 13 form part of these financial statements.

COMMUNITY SCHOOLS (HIGHLANDS) LIMITED
REGISTERED NUMBER: SC210981

BALANCE SHEET
AS AT 31 MARCH 2013

| | Note | £ | 31 March 2013 £ | £ | 31 July 2012 £ |
|--|------|--------------------|-----------------------|-------------------|----------------------|
| CURRENT ASSETS | | | | | |
| Debtors: amounts falling due after more than one year | 5 | 12,507,581 | | 13,751,164 | |
| Debtors: amounts falling due within one year | 5 | 530,100 | | 570,700 | |
| Cash at bank | | 2,521,740 | | 1,833,043 | |
| | | <u>15,559,421</u> | | <u>16,154,907</u> | |
| CREDITORS: amounts falling due within one year | 6 | <u>(1,451,329)</u> | | <u>(993,869)</u> | |
| NET CURRENT ASSETS | | | 14,108,092 | | 15,161,038 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 14,108,092 | | 15,161,038 |
| CREDITORS: amounts falling due after more than one year | 7 | | (12,490,179) | | (12,780,278) |
| PROVISIONS FOR LIABILITIES | | | | | |
| Deferred tax | 8 | (1,131,588) | | (1,057,225) | |
| Lifecycle provision | 9 | <u>(96,560)</u> | | <u>(625,605)</u> | |
| | | | (1,228,148) | | (1,682,830) |
| NET ASSETS | | | <u>389,765</u> | | <u>697,930</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 10 | | 1 | | 1 |
| Share premium account | 11 | | 197 | | 197 |
| Profit and loss account | 11 | | 389,567 | | 697,732 |
| SHAREHOLDERS' FUNDS | | | <u>389,765</u> | | <u>697,930</u> |

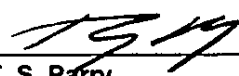
These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

COMMUNITY SCHOOLS (HIGHLANDS) LIMITED

BALANCE SHEET (continued)
AS AT 31 MARCH 2013

The financial statements were approved and authorised by the board and were signed on its behalf

on 27 September 2013



Mr A. T. S. Parry
Director

The notes on pages 8 to 13 form part of these financial statements.

COMMUNITY SCHOOLS (HIGHLANDS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2013

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

1.2 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the period, exclusive of Value Added Tax and trade discounts.

1.3 Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

1.4 Finance debtor

Costs incurred in the construction of the schools have been accounted for under Financial Reporting Standard (FRS) 5, 'Reporting the substance of transactions' Application Note F. Applying the guidance within the Application Note indicates that the project's principal agreements transferred all the risks and rewards of the ownership to the Highland Council. On that basis, all construction costs incurred on the project, including interest on finance up to the date of commission have been included as a finance debtor. This amount represents the total amount outstanding under the agreement less unearned interest. Finance lease income is allocated to accounting periods so as to give a constant rate of return on the net cash investment in the lease.

1.5 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

2. OPERATING PROFIT

The operating profit is stated after charging:

| | 2013 £ | 2012 £ |
|------------------------|-----------|-----------|
| Auditors' remuneration | 6,000 | 6,000 |

COMMUNITY SCHOOLS (HIGHLANDS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2013**

3. DIRECTORS' REMUNERATION

| | 2013 £ | 2012 £ |
|------------------------|-----------|-----------|
| Aggregate remuneration | 20,000 | 30,000 |

4. TAXATION

| | 2013 £ | 2012 £ |
|---|-----------|-----------|
| Analysis of tax charge in the period/year | | |
| Current tax | | |
| UK corporation tax charge on profit for the period/year | 585 | 1,204 |
| Deferred tax | | |
| Capital allowances | (17,575) | (68,347) |
| Losses | 91,939 | 198,214 |
| Total deferred tax (see note 8) | 74,364 | 129,867 |
| Tax on profit on ordinary activities | 74,949 | 131,071 |

5. DEBTORS

| | 31 March 2013 £ | 31 July 2012 £ |
|-------------------------------------|-----------------------|----------------------|
| Due after more than one year | | |
| Finance debtor | 12,507,581 | 13,751,164 |
| | 12,507,581 | 13,751,164 |
| Due within one year | | |
| Finance debtor | 512,709 | 527,420 |
| Other debtors | 17,391 | 43,280 |
| | 530,100 | 570,700 |

COMMUNITY SCHOOLS (HIGHLANDS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2013**

**6. CREDITORS:
Amounts falling due within one year**

| | 31 March 2013 £ | 31 July 2012 £ |
|------------------------------------|-----------------------|----------------------|
| Bank loans and overdrafts | 579,838 | 644,401 |
| Trade creditors | 112,107 | 98,760 |
| Amounts owed to group undertakings | 62,383 | 68,348 |
| Other taxation and social security | 91,943 | 126,763 |
| Other creditors | 605,058 | 55,597 |
| | <u>1,451,329</u> | <u>993,869</u> |

**7. CREDITORS:
Amounts falling due after more than one year**

| | 31 March 2013 £ | 31 July 2012 £ |
|------------------------------------|-----------------------|----------------------|
| Bank loans | 11,282,740 | 11,543,540 |
| Amounts owed to group undertakings | 1,207,439 | 1,236,738 |
| | <u>12,490,179</u> | <u>12,780,278</u> |

Creditors include amounts not wholly repayable within 5 years as follows:

| | 31 March 2013 £ | 31 July 2012 £ |
|--------------------------|-----------------------|----------------------|
| Repayable by instalments | <u>9,508,450</u> | <u>9,997,459</u> |

COMMUNITY SCHOOLS (HIGHLANDS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2013

7. CREDITORS: **Amounts falling due after more than one year (continued)**

As at 31 March 2013 the amounts falling due after more than one year consists of £11,282,740 senior debt and £1,207,439 subordinated debt.

The loan from the Royal Bank of Scotland plc (senior debt) is secured by way of a fixed and floating charge over all the assets of the borrower, and by fixed charge over the cash balances and investments of the borrower. The subordinated loan is not secured.

Interest on the senior debt is charged at a margin of 0.95% over LIBOR. The repayment is at six monthly intervals until July 2025.

Interest on the subordinated debt is charged at 16% p.a. Repayment is at six monthly intervals until July 2025.

Payments of interest and principal in respect of subordinated debt are conditional on satisfaction of covenants specified in the loan agreement with The Royal Bank of Scotland plc.

At 31 March 2013 the company had an interest rate swap with respect to the above loan. The directors have chosen not to adopt fair value accounting in respect of this swap. The fair value of the interest rate swap at the period end was a liability of £3,766,671.

Included within creditors falling due after more than one year is an amount of £9,508,450 (2012 - £9,997,459) in respect of liabilities which fall due for payment after more than five years from the balance sheet date.

8. DEFERRED TAXATION

| | 31 March 2013 £ | 31 July 2012 £ |
|------------------------------|-----------------------|----------------------|
| At beginning of period/year | 1,057,225 | 927,358 |
| Charge for period/year (P&L) | 74,363 | 129,867 |
| | <hr/> | <hr/> |
| At end of period/year | <u>1,131,588</u> | <u>1,057,225</u> |

The provision for deferred taxation is made up as follows:

| | 31 March 2013 £ | 31 July 2012 £ |
|--------------------------------|-----------------------|----------------------|
| Accelerated capital allowances | 1,242,182 | 1,259,756 |
| Tax losses carried forward | (110,594) | (202,531) |
| | <hr/> | <hr/> |
| | <u>1,131,588</u> | <u>1,057,225</u> |

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

COMMUNITY SCHOOLS (HIGHLANDS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2013

9. PROVISIONS

| | Lifecycle provision £ |
|------------------|-----------------------------|
| At 1 August 2012 | 625,605 |
| Amounts used | (31,953) |
| Amounts reversed | (497,092) |
| At 31 March 2013 | <u>96,560</u> |

Lifecycle provision

The company has a contractual obligation to provide for repairs and renewals of the accommodation provided under the 'PFI' contract. The directors review the provision annually in line with the company's historical repair record.

10. SHARE CAPITAL

| | 31 March 2013 £ | 31 July 2012 £ |
|---|-----------------------|----------------------|
| Allotted, called up and fully paid | | |
| 1 Ordinary share of £1 | <u>1</u> | <u>1</u> |

11. RESERVES

| | Share premium account £ | Profit and loss account £ |
|---------------------------------|----------------------------------|---------------------------------|
| At 1 August 2012 | 197 | 697,732 |
| Profit for the financial period | | 90,075 |
| Dividends: Equity capital | | (398,240) |
| At 31 March 2013 | <u>197</u> | <u>389,567</u> |

12. DIVIDENDS

| | 2013 £ | 2012 £ |
|----------------------------------|----------------|----------------|
| Dividends paid on equity capital | <u>398,240</u> | <u>340,000</u> |

COMMUNITY SCHOOLS (HIGHLANDS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2013

13. COMMITMENTS

Under the terms of an operating agreement with MITIE PFI Limited, the company is committed to pay £13,570,353 in facilities management costs net of any deductions that are for the account of MITIE PFI Limited in the period to August 2028.

Payments in the period to 31 March 2013 were £644,685 (2012 - £894,568). The outstanding commitment at 31 March 2013 is £13,570,353 (2012 - £13,795,889).

14. RELATED PARTY TRANSACTIONS

The company was under the control of Community Schools Holdings Limited throughout the current and previous year. Community Schools Holdings Limited is the immediate parent company.

As at 31 March 2013 the outstanding loan balance to Civic PFI Investments Limited, the parent company of Community Schools Holdings Limited, was £1,269,822 (2012 - £1,305,086). Interest is charged at a rate of 16% p.a. The interest paid during the period was £138,269 (2012 - £217,414).

The company has taken advantage of the exemption under FRS 8 "Related party transactions" for transactions between Grosvenor PFI Holdings Limited and undertakings of the Grosvenor PFI Holdings group not to be disclosed.

15. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is Community Schools Holdings Limited, a company registered in Scotland.

Grosvenor PFI Holdings Limited is considered to hold the ultimate controlling interest. Consolidated financial statements are available from the registered office at 4 Greengate, Cardale Park, Harrogate, North Yorkshire, HG3 1GY.