

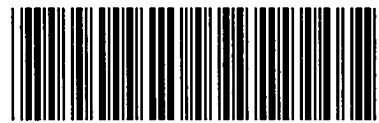
COMMUNITY SCHOOLS (HIGHLANDS) LIMITED

AUDITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31 MARCH 2015**

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COMPANIES HOUSE



**Wellden
Turnbull**

Chartered Accountants and
Chartered Tax Advisers
Statutory Auditors

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 Ltd
Chartered Accountants and Statutory Auditors
Munro House
Portsmouth Road
Cobham
Surrey
KT11 1PP

COMMUNITY SCHOOLS (HIGHLANDS) LIMITED

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COMMUNITY SCHOOLS (HIGHLANDS) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2015

The directors present their report and the financial statements for the year ended 31 March 2015.

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 ACTIVITIES

The principal activities of the company during the year were 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 year were:

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

DISCLOSURE OF INFORMATION TO AUDITORS

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

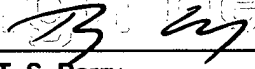
- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors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

COMMUNITY SCHOOLS (HIGHLANDS) LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2015**

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 22 September 2015 and signed on its behalf.

Sign here

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 year ended 31 March 2015, set out on pages 5 to 11. 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

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its profit for the year 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 year 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 to take advantage of the small companies' exemption from the requirement to prepare a Strategic report or in preparing the Directors' report.



Robin John FCA CTA (Senior statutory auditor)

for and on behalf of
Wellden Turnbull Ltd

Chartered Accountants
Statutory Auditors

Munro House
Portsmouth Road
Cobham
Surrey
KT11 1PP

Date: 25/9/15

COMMUNITY SCHOOLS (HIGHLANDS) LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2015**

	Note	2015 £	2014 £
TURNOVER	1	2,036,747	1,992,881
Cost of sales		(1,271,794)	(1,339,958)
		<hr/>	<hr/>
GROSS PROFIT		764,953	652,923
Administrative expenses		(170,847)	(129,363)
		<hr/>	<hr/>
OPERATING PROFIT	2	594,106	523,560
Interest receivable and similar income		965,619	1,029,088
Interest payable and similar charges		(977,139)	(1,027,896)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		582,586	524,752
Tax on profit on ordinary activities	4	(59,476)	(31,911)
		<hr/>	<hr/>
PROFIT FOR THE FINANCIAL YEAR	11	<u>523,110</u>	<u>492,841</u>

The notes on pages 7 to 11 form part of these financial statements.

COMMUNITY SCHOOLS (HIGHLANDS) LIMITED
REGISTERED NUMBER: SC210981

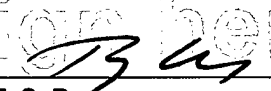
BALANCE SHEET
AS AT 31 MARCH 2015

	Note	£	2015 £	2014 £
CURRENT ASSETS				
Debtors: amounts falling due after more than one year	5	10,823,677	11,589,361	
Debtors: amounts falling due within one year	5	598,766	590,687	
Cash at bank		2,567,669	2,043,035	
		<u>13,990,112</u>	<u>14,223,083</u>	
CREDITORS: amounts falling due within one year	6	<u>(1,318,425)</u>	<u>(932,714)</u>	
NET CURRENT ASSETS			12,671,687	13,290,369
TOTAL ASSETS LESS CURRENT LIABILITIES			12,671,687	13,290,369
CREDITORS: amounts falling due after more than one year	7		(11,128,394)	(11,877,559)
PROVISIONS FOR LIABILITIES				
Deferred tax	8	(1,032,987)	(1,164,225)	
Lifecycle provision	9	<u>(10,000)</u>	<u>(40,979)</u>	
			<u>(1,042,987)</u>	<u>(1,205,204)</u>
NET ASSETS			<u>500,306</u>	<u>207,606</u>
CAPITAL AND RESERVES				
Called up share capital	10		1	1
Share premium account	11		197	197
Profit and loss account	11		500,108	207,408
SHAREHOLDER'S FUNDS			<u>500,306</u>	<u>207,606</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).

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

on Date here
22 September 2015

Sign here

Mr A. T. S. Parry
 Director

The notes on pages 7 to 11 form part of these financial statements.

COMMUNITY SCHOOLS (HIGHLANDS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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 year, 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:

	2015 £	2014 £
Auditors' remuneration	6,000	6,000

COMMUNITY SCHOOLS (HIGHLANDS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

3. DIRECTORS' REMUNERATION

	2015 £	2014 £
Aggregate remuneration	31,840	30,983

4. TAXATION

	2015 £	2014 £
Analysis of tax charge in the year		
Current tax		
UK corporation tax charge/(credit) on profit for the year	190,714	(726)
Deferred tax		
Capital allowances and tax rate effect	(131,238)	(26,200)
Losses	-	58,837
Total deferred tax (see note 8)	(131,238)	32,637
Tax on profit on ordinary activities	59,476	31,911

There were no factors that affected the tax charge for the year which has been calculated on the profits on ordinary activities before tax at the standard rate of corporation tax in the UK of 21% (2014 - 23%).

5. DEBTORS

	2015 £	2014 £
Due after more than one year		
Finance debtor	10,823,677	11,589,361
	10,823,677	11,589,361
Due within one year		
Trade debtors	-	1,114
Finance debtor	574,463	589,573
Prepayments	24,303	-
	598,766	590,687

COMMUNITY SCHOOLS (HIGHLANDS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

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

	2015 £	2014 £
Bank loans and overdrafts	684,791	554,442
Trade creditors	26,887	1,144
Amounts owed to group undertakings	72,602	58,720
Corporation tax	190,714	-
Other taxation and social security	88,580	87,226
Other creditors	254,851	231,182
	<u>1,318,425</u>	<u>932,714</u>

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

	2015 £	2014 £
Bank loans	10,052,367	10,728,886
Amounts owed to group undertakings	1,076,027	1,148,673
	<u>11,128,394</u>	<u>11,877,559</u>

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

	2015 £	2014 £
Repayable by instalments	<u>7,239,065</u>	<u>8,430,144</u>

As at 31 March 2015 the amounts falling due after more than one year consists of £10,052,367 (2014 - £10,728,886) senior debt and £1,076,027 (2014 - £1,148,673) 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 2015 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 year end was a liability of £2,911,650 (2014 - £2,606,214).

Included within creditors falling due after more than one year is an amount of £7,239,065 (2014 - £8,430,144) in respect of liabilities which fall due for payment after more than five years from the balance sheet date.

COMMUNITY SCHOOLS (HIGHLANDS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

8. DEFERRED TAXATION

	2015 £	2014 £
At beginning of year	1,164,225	1,131,588
(Released during)/charge for year (P&L)	(131,238)	32,637
	<hr/>	<hr/>
At end of year	<u>1,032,987</u>	<u>1,164,225</u>

The provision for deferred taxation is made up as follows:

	2015 £	2014 £
Accelerated capital allowances	<u>1,032,987</u>	<u>1,164,225</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.

9. PROVISIONS

	Lifecycle provision £
At 1 April 2014	40,979
Amounts used	(30,979)
	<hr/>
At 31 March 2015	<u>10,000</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

	2015 £	2014 £
Allotted, called up and fully paid		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

COMMUNITY SCHOOLS (HIGHLANDS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

11. RESERVES

	Share premium account £	Profit and loss account £
At 1 April 2014	197	207,408
Profit for the financial year	-	523,110
Dividends: Equity capital	-	(230,410)
	<hr/>	<hr/>
At 31 March 2015	197	500,108
	<hr/>	<hr/>

12. DIVIDENDS

	2015 £	2014 £
Dividends paid on equity capital	230,410	675,000
	<hr/>	<hr/>

13. COMMITMENTS

Under the terms of an operating agreement with MITIE PFI Limited, the company is committed to pay £12,092,917 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 2015 were £971,499 (2014 - £952,558). The outstanding commitment at 31 March 2015 is £12,092,917 (2014 - £13,906,065).

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.

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.