REGISTRAR OF COMPANIES

Registered number: SC210981

COMMUNITY SCHOOLS (HIGHLANDS) LIMITED

AUDITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Wellden Turnbull

Chartered Accountants and
Chartered Tax Advisers
Statutory Auditors

COMMUNITY SCHOOLS (HIGHLANDS) LIMITED

COMPANY INFORMATION

DIRECTORS	Mr R. J. Austin (resigned 20 August 2018) Mr A. T. S. Parry Mr A. W. Hopps (appointed 20 August 2018)
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 & Statutory Auditors Munro House Portsmouth Road Cobham Surrey KT11 1PP

COMMUNITY SCHOOLS (HIGHLANDS) LIMITED

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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2018

The directors present their report and the financial statements for the year ended 31 March 2018.

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 prinicpal 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 2018

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 and signed on its behalf.

Sign here

Mr A. T. S. Parry
Director

Date: 20/12/18

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

OPINION

We have audited the financial statements of Community Schools (Highlands) Limited (the 'Company') for the year ended 31 March 2018, which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, 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 Financial Reporting Standard 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 31 March 2018 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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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.

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 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.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

OPINION 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the 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 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; 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' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

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

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' Responsibilities Statement on page 1, 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.

AUDITORS' 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 Auditors' 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 these financial statements.

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. This description forms part of our Auditors' 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: 21/12/18

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 £	2017 £
Turnover	4	2,139,605	2,221,794
Cost of sales		(1,389,688)	(1,393,316)
GROSS PROFIT		749,917	828,478
Administrative expenses		(111,985)	(149,791)
OPERATING PROFIT	5	637,932	678,687
Interest receivable and similar income	7	747,619	828,474
Interest payable and similar expenses	8	(800,881)	(865,874)
PROFIT BEFORE TAX		584,670	641,287
Tax on profit	9	(93,410)	(227,778)
PROFIT FOR THE FINANCIAL YEAR		491,260	413,509

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	2018 £	2017 £
Profit for the financial year	491,260	413,509
OTHER COMPREHENSIVE INCOME		
Fair value gains on swaps	627,739	354,433
Deferred tax arising on fair value adjustments	(142,257)	(70,887)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	485,482	283,546
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	976,742	697,055

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

COMMUNITY SCHOOLS (HIGHLANDS) LIMITED
REGISTERED NUMBER: SC210981

BALANCE SHEET
AS AT 31 MARCH 2018

	Note		2018 £		2017 £
CURRENT ASSETS					
Debtors: amounts falling due after more than one year	11	8,428,863		9,617,412	
Debtors: amounts falling due within one year	11	375,530		453,824	
Cash at bank and in hand	12	2,979,406		2,943,907	
		11,783,799		13,015,143	
Creditors: amounts falling due within one year	13	(1,583,616)		(1,744,312)	
TOTAL ASSETS LESS CURRENT LIABILITIES			10,200,183		11,270,831
Creditors: amounts falling due after more than one year	14		(10,039,479)		(11,737,314)
PROVISIONS FOR LIABILITIES					
Deferred tax		(827,521)		(902,432)	
			(827,521)		(902,432)
NET LIABILITIES			(666,817)		(1,368,915)
CAPITAL AND RESERVES					
Called up share capital	17		1		1
Share premium account	21		197		197
Other reserves	21		(1,353,432)		(1,838,914)
Profit and loss account	21		686,417		469,801
SHAREHOLDERS' FUNDS			(666,817)		(1,368,915)

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

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

Mr A. T. S. Parry
Director

Date: 20/12/18

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018

	Called up share capital	Share premium account	Other reserves - Hedging reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 April 2017	1	197	(1,838,914)	469,801	(1,368,915)
COMPREHENSIVE INCOME FOR THE YEAR					
Profit for the year	-	-	-	491,260	491,260
Fair value gains on swaps	-	-	627,739	-	627,739
Deferred tax arising on fair value adjustments	-	-	(142,257)	-	(142,257)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	-	-	485,482	-	485,482
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	485,482	491,260	976,742
Dividends: Equity capital	-	-	-	(274,644)	(274,644)
TOTAL TRANSACTIONS WITH SHAREHOLDERS	-	-	-	(274,644)	(274,644)
AT 31 MARCH 2018	1	197	(1,353,432)	686,417	(666,817)

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

	Called up share capital	Share premium account	Other reserves - Hedging reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 April 2016	1	197	(2,122,460)	496,292	(1,625,970)
COMPREHENSIVE INCOME FOR THE YEAR					
Profit for the year	-	-	-	413,509	413,509
Fair value gains on swaps	-	-	354,433	-	354,433
Deferred tax arising on fair value adjustments	-	-	(70,887)	-	(70,887)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	-	-	283,546	-	283,546
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	283,546	413,509	697,055
Dividends: Equity capital	-	-	-	(440,000)	(440,000)
TOTAL TRANSACTIONS WITH SHAREHOLDERS	-	-	-	(440,000)	(440,000)
AT 31 MARCH 2017	1	197	(1,838,914)	469,801	(1,368,915)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1. GENERAL INFORMATION

Community Schools (Highlands) Limited is a private company, limited by shares, incorporated in Scotland, registered number SC210981. The registered office is Dundas & Wilson LLP, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN.

2. ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The financial statements are presented in sterling, which is the functional currency of the company and rounded to the nearest £.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Cardale PFI Investments Limited as at 31 March 2018 and these financial statements may be obtained from the registered office at 4 Greengate, Cardale Park, Harrogate, North Yorkshire, HG3 1GY.

2.3 Going concern

The financial statements have been prepared on a going concern basis. The directors acknowledge that the company has net liabilities. However this is a result of the swaps, which are significantly out of the money, being brought onto the balance sheet on transition to FRS102. It is not the intention to close out these instruments before their maturity date, therefore there is no impact on the company's ability to meet its liabilities as they fall due. The company has a contract with The Highland Council until 2027. The directors have prepared projected cash flow information for at least twelve months from the date of their approval of these financial statements. On the basis of this cash flow information, the directors consider that the company will continue to operate within the long term facility currently agreed. In addition, during the operational phase of the project, sufficient cash flow has been, and is, projected to continue to be generated to allow the company to meet its liabilities as they fall due for payment. Accordingly, the directors believe it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract; and
- the stage of completion of the contract at the end of the reporting period can be measured reliably.

2.5 Revenue accounting policy

The company recognises income when it has fully fulfilled its contractual obligations. In accordance with FRS 102 the company includes sales and purchase transactions related to variations under the original contract where the benefits and risks are retained by the company, within the financial statements as turnover and operating costs.

Transactions to which the company does not have access to all the significant benefits and risks are excluded from the financial statements.

2.6 Finance debtor

The company operates a PFI contract. During the operational phase income is allocated between interest receivable and the finance debtor using an asset specific interest rate. The remainder of the PFI unitary charge is included within turnover.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2. ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and Loss Account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2. ACCOUNTING POLICIES (CONTINUED)

2.10 Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to fair value at each reporting date. Fair value gains and losses are recognised in the statement of comprehensive income unless hedge accounting is applied and the hedge is a cash flow hedge.
To qualify for hedge accounting, the Company documents the hedged item, the hedging instrument and the hedging relationship between them and the causes of hedge ineffectiveness.

The Company elects to adopt hedge accounting for interest rate swaps and inflation rate swaps (the 'swaps') where:

- The swaps are a qualifying hedging instrument with an external party that hedges rate risk on a loan, part of the nominal amount of a loan, or a group of loans managed together that share the same risk and that qualify as a hedged item:

- The hedging relationship between the swaps and the interest rate risk on the loan is consistent with the risk management objectives for undertaking hedges (i.e. to manage the risk that fixed interest rates become unfavourable in comparison to current market rates or the variability in cash flows arising from variable interest rates);

- The change in the fair value of the swaps is expected to move inversely to the change in the fair value of the interest rate risk on the loan.

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.12 Hedge accounting

The Company uses variable to fixed interest rate swaps to manage its exposure to Interest rate cash flow risk on its variable rate debt. These derivatives are measured at fair value at each balance sheet date.

To the extent the cash flow hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in profit or loss for the year.

2.13 Finance costs

Finance costs are charged to the Profit and Loss Account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2. ACCOUNTING POLICIES (CONTINUED)

2.14 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.15 Interest income

Interest income is recognised in the Profit and Loss Account using the effective interest method.

2.16 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and Loss Account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with FRS102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the actual results.

Critical areas of judgement

The Company makes judgements on the recoverability of the amounts recoverable on long term contracts, based on the receipt of the unitary fee in accordance with the contractual payment mechanisms contained in the project agreement with its client, The Highlands Council.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Certain critical accounting judgements in applying the Company's accounting policies are described below:

- Accounting for the service concession contracts and finance debtors requires estimation of service margins, finance debtors interest rates and associated amortisation profile which is based on forecasted results of the PFI contract.

4. TURNOVER

An analysis of turnover by class of business is as follows:

	2018 £	2017 £
Sales - fees	1,909,432	2,016,894
Sales - pass through income	230,172	204,900
	2,139,604	2,221,794

All turnover arose within the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

5. OPERATING PROFIT

The operating profit is stated after charging:

	2018	2017
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	5,250	6,000

During the year, no director received any emoluments (2017 -£nil).

6. EMPLOYEES

The average monthly number of employees, including the directors, during the year was as follows:

	2018	2017
	No.	No.
Directors	2	2

7. FINANCE INCOME

	2018	2017
	£	£
Interest income on finance receivable	744,909	824,362
Bank interest receivable	2,710	4,112
	747,619	828,474

8. FINANCE COSTS

	2018	2017
	£	£
Bank interest payable	638,301	690,556
Other loan interest payable	162,580	175,318
	800,881	865,874

9. TAXATION

	2018 £	2017 £
CORPORATION TAX		
Current tax on profits for the year	168,321	275,384
DEFERRED TAX		
Origination and reversal of timing differences	(74,911)	(47,606)
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	93,410	227,778

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

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 19% (2017 - 20%).

10. DIVIDENDS

	2018 £	2017 £
Community Schools Holdings Limited	274,644	440,000

11. DEBTORS

	2018 £	2017 £
DUE AFTER MORE THAN ONE YEAR		
Finance debtor	8,111,391	9,157,684
Deferred tax asset	317,472	459,728
	8,428,863	9,617,412

	2018 £	2017 £
DUE WITHIN ONE YEAR		
Trade debtors	778	2,972
Finance debtor	374,752	450,317
Prepayments and accrued income	-	535
	375,530	453,824

12. CASH AND CASH EQUIVALENTS

	2018 £	2017 £
Cash at bank and in hand	2,979,406	2,943,907

13. CREDITORS: Amounts falling due within one year

	2018 £	2017 £
Bank loans	974,864	816,976
Trade creditors	101,760	102,765
Amounts owed to group undertakings	103,442	86,840
Corporation tax	177,403	398,420
Taxation and social security	85,190	83,647
Accruals and deferred income	140,957	255,664
	1,583,616	1,744,312

14. CREDITORS: Amounts falling due after more than one year

	2018 £	2017 £
Bank loans	7,560,162	8,526,754
Amounts owed to group undertakings	808,414	911,918
Fair value of derivative contracts	1,670,903	2,298,642
	10,039,479	11,737,314

Secured loans

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.

15. LOANS

Analysis of the maturity of loans is given below:

	2018 £	2017 £
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Bank loans	974,864	816,976
Other loans	103,442	86,840
	1,078,306	903,816
AMOUNTS FALLING DUE 1-2 YEARS		
Bank loans	998,730	974,864
Other loans	106,140	103,442
	1,104,870	1,078,306
AMOUNTS FALLING DUE 2-5 YEARS		
Bank loans	3,447,882	3,247,709
Other loans	366,182	344,987
	3,814,064	3,592,696
AMOUNTS FALLING DUE AFTER MORE THAN 5 YEARS		
Bank loans	3,113,550	4,304,181
Other loans	336,091	463,490
	3,449,641	4,767,671
	9,446,881	10,342,489

16. DEFERRED TAXATION

	2018 £	2017 £
At beginning of year	(442,704)	(419,423)
Charged to profit or loss	74,911	47,606
Charged to other comprehensive income	(142,257)	(70,887)
AT END OF YEAR	(510,050)	(442,704)

The provision for deferred taxation is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	(827,521)	(902,432)
Timing differences arising from fair value adjustments	317,472	459,728
	(510,049)	(442,704)
COMPRISING:		
Asset - due after one year	317,472	459,728
Liability	(827,521)	(902,432)
	(510,049)	(442,704)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

17. SHARE CAPITAL

	2018 £	2017 £
Allotted, called up and fully paid		
1 Ordinary share of £1	1	1

18. BASIC FINANCIAL INSTRUMENTS

Financial assets that are debt instruments measured at amortised cost £8,486,921 (2017 - £9,610,975).

Financial liabilities measured at amortised cost £9,548,642 (2017 - £10,445,254).

19. COMPLEX FINANCIAL INSTRUMENTS

Interest rate swaps

The fair value of the Company's derivatives are as follows:

	Principal		**Fair value**	
	2018 £	2017 £	2018 £	2017 £
Interest rate swap contracts	(13,537,841)	(13,537,841)	(1,670,903)	(2,298,642)
	(13,537,841)	(13,537,841)	(1,670,903)	(2,298,642)

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

The fair value of the interest swaps is determined using the forward curve for 3 Month GBP LIBOR.

All swaps meet the conditions for hedge accounting, as set out in the accounting policies.

20. COMMITMENTS

Under the terms of an operating agreement with Mitie PFI Limited, the company is committed to pay £9,829,074 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 2018 were £1,017,780 (2017 - £1,009,574). The outstanding commitment at 31 March 2018 is £9,829,074 (2017 - £10,501,402).

21. RESERVES

Share premium account

The amount paid above the notional amount for share capital.

Other reserves

Other reserves relates to the hedging reserve which represents movements in the fair value of the interest rate swap derivatives and associated deferred tax.

Profit & loss account

The profit and loss account represents cumulative profits and losses net of all adjustments.

22. RELATED PARTY TRANSACTIONS

The company has taken advantage of FRS102 section 33 paragraph 1A not to disclose transactions with wholly owned group members.

23. CONTROLLING PARTY

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

Cardale PFI Investments 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 1 GY.