COMPANY REGISTRATION NUMBER: SC467517

C3 Investments in Ayrshire College Education Limited

Annual Report and Financial Statements

31 March 2023

C3 Investments in Ayrshire College Education Limited

Annual Report and Financial Statements

Year Ended 31 March 2023

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C3 Investments in Ayrshire College Education Limited

Officers and Professional Advisers

The Board of Directors	Matthew Templeton Barry White Steven McGhee
Company Secretary	Infrastructure Managers Limited
Registered Office	2nd Floor 11 Thistle Street Edinburgh EH2 1DF
Independent Auditors	Johnston Carmichael LLP Bishops Court 29 Albyn Pl Aberdeen AB10 1YL
Bankers	Lloyds Bank Plc City Office Bailey Drive Gillingham Business Park Kent ME8 0LS
Solicitors	Dentons UKMEA LLP Quartermile One 15 Lauriston Place Edinburgh EH3 9EP

C3 Investments in Ayrshire College Education Limited

Directors' Report

Year Ended 31 March 2023

The directors present their report and the audited Annual Report and Financial Statements of C3 Investments in Ayrshire College Education Limited ("the Company") for the year ended 31 March 2023.

Principal Activities

The Company's principal activity is the financing, operation and maintenance of a college on a single site campus under a Scottish Futures Trust Non Profit Distributing (NPD) program for the benefit of The Board of Management of Ayrshire College.

The construction of the college commenced in June 2014, becoming operational on 30 September 2016. The contract is in the ninth year of it's term, expiring in May 2041.

Performance Review

The profit for the financial year, after taxation, amounted to £31,307 (2022: loss of £129,751).

The profit for the financial year will be transferred to reserves.

The directors are satisfied with the overall performance of the Company and do not foresee any significant change in the Company's activities in the coming financial year.

Key Performance Indicators

The performance of the Company from a cash perspective is assessed six monthly by the testing of the covenants of the senior debt provider. The key indicator being the debt service cover ratio. The Company has been performing well and has been compliant with the covenants laid out in the Group loan agreement.

Climate Change

The directors recognise that it is important to disclose their view of the impact of climate change on the Company. The Company's key operational contracts are long-term and with a small number of known counterparties. In most cases, the cashflows from these contracts can be predicted with reasonable certainty for at least the medium-term. Having considered the Company's operations, its contracted rights and obligations and forecast cash flows, there is not expected to be a significant impact upon the Company's operational or financial performance arising from climate change.

Going Concern

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

The Company prepares cash flow forecasts covering the expected life of the asset and so including the 12 month period from the date the financial statements are signed. In drawing up these forecasts, the Directors have made assumptions based upon their view of the current and future economic conditions that will prevail over the forecast period. Based on these forecasts the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

In light of this, the Directors continue to adopt the going concern basis of accounting in preparing the Company's annual financial statements.

Directors

The directors who served the Company during the year and up to the date of this report were as follows:

Matthew Templeton	
Barry White	(Appointed 25 April 2022)
Steven McGhee	(Appointed 18 May 2023)
Stephen Vere	(Resigned 25 April 2022)
Peter Johnstone	(Resigned 18 May 2023)

Dividends

The directors do not recommend the payment of a dividend.

Financial Risk

Due to the nature of the Company's business, the financial risks the directors consider relevant to this Company are credit, interest rate, cash flow and liquidity risk. The credit risk is not considered significant as the client is a quasi governmental organisation.

Interest rate risk

The financial risk management objectives of the Company are to ensure that financial risks are mitigated by the use of financial instruments. The Company has interest bearing liabilities with fixed interest rates.

Cash flow and liquidity risk

Many of the cash flow risks are addressed by means of contractual provisions. The Company's liquidity risk is principally managed through financing the Company by means of long-term borrowings.

Qualifying Third Party Indemnity Provisions

The Company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Disclosure of Information to Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's auditor are unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

The independent auditors, Johnston Carmichael LLP, are deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 26 September 2023 and signed by order of the board by:

Mike Forrest on behalf of Infrastructure Managers Limited
Company Secretary

C3 Investments in Ayrshire College Education Limited

Directors' Responsibilities Statement

Year Ended 31 March 2023

The directors are responsible for preparing the Directors' Report and the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the Annual Report and Financial Statements for each financial year. Under that law the directors have prepared the Annual Report and Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland ("FRS 102"), and applicable law).

Under company law the directors must not approve the Annual Report and Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

In preparing the Annual Report and 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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the Annual Report and Financial Statements; and
- prepare the Annual Report and 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 Members of C3 Investments in Ayrshire College Education Limited

Opinion

We have audited the financial statements of C3 Investments in Ayrshire College Education Limited ('the company') for the year ended 31 March 2023, which comprise the Statement of Income and Retained Earnings, Statement of Financial Position and notes to annual report and the financial statements, including 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 2023 and of its profit for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for Opinion

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

Conclusions Relating to Going Concern

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

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

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

Independent Auditor's Report to the Members of C3 Investments in Ayrshire College Education Limited *(continued)*

Other Information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on Other Matters Prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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 take advantage of the small companies' exemption in preparing the Directors' Report and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report.

Responsibilities of Directors

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor Responsibilities for the Audit of the Financial Statements

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

Extent to which an audit is considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- United Kingdom Accounting Standards, including Financial Reporting Standard 102;
- UK Companies Act; and
- UK Corporation taxes legislation; and
- VAT legislation.

We gained an understanding of how the company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of any relevant correspondence with regulatory bodies and board meeting minutes.

We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. We identified a heightened fraud risk in relation to:

- Revenue Recognition; and
- Management override of controls.

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance for reference to breaches of laws and regulation or for any indication of any potential litigation and claims;
- Reviewing the level of and reasoning behind the company's procurement of legal and professional services;
- Recalculating the unitary charge received by taking the base charge per the project agreement and uplifting for RPI;
- Agreeing a sample of months' income receipts to invoice and bank statements;
- Performing an assessment on the service margins used in the year and agreeing margins used to the active financial models;
- Reconciling the finance income and amortisation to the finance debtor reconciliation to ensure allocation methodology is in line with contractual terms and relevant accounting standards;
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias;
- Completion of appropriate checklists and use of our experience to assess the company's compliance with the Companies Act 2006; and
- Agreement of the financial statement disclosures to supporting documentation.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material risk due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

Use of Our Report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Johnston Carmichael LLP

Jenny Junnier (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP

Chartered Accountants
Statutory auditor
Bishops Court
29 Albyn Pl
Aberdeen
AB10 1YL

26 / 09 / 2023

C3 Investments in Ayrshire College Education Limited

Statement of Income and Retained Earnings

Year Ended 31 March 2023

	Note	2023 £	2022 £
Turnover	4	**783,261**	607,221
Cost of sales		**500,378**	394,394
Gross profit		**282,883**	212,827
Administrative expenses		**199,582**	160,006
Operating profit	5	**83,301**	52,821
Interest receivable and similar income	7	**2,241,216**	2,378,697
Interest payable and similar expenses	8	**2,081,373**	2,188,204
Profit before taxation		**243,144**	243,314
Tax on profit	9	**211,837**	373,065
Profit/(loss) for the financial year and total comprehensive income		**31,307**	(129,751)
Retained earnings at the start of the year		**1,047,007**	1,176,758
Retained earnings at the end of the year		**1,078,314**	1,047,007

All the activities of the Company are from continuing operations.

The notes on pages 11 to 19 form part of these Financial Statements.

C3 Investments in Ayrshire College Education Limited

Statement of Financial Position

As at 31 March 2023

	Note	2023 £	2022 £
Current assets			
Debtors: amounts falling due within one year	10	**1,503,980**	1,544,769
Debtors: amounts falling due after more than one year	10	**36,480,706**	37,900,376
Cash at bank and in hand		**1,099,279**	673,945
		39,083,965	40,119,090
Creditors: amounts falling due within one year	11	**(2,456,379)**	(2,175,329)
Net current assets		**36,627,586**	37,943,761
Total assets less current liabilities		**36,627,586**	37,943,761
Creditors: amounts falling due after more than one year	12	**(34,668,562)**	(36,227,881)
Provisions for liabilities			
Taxation including deferred taxation	13	**(879,744)**	(667,907)
Net assets		**1,079,280**	1,047,973
Capital and reserves			
Called up share capital	15	**966**	966
Retained earnings	16	**1,078,314**	1,047,007
Total shareholders' funds		**1,079,280**	1,047,973

This report has been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The Financial Statements were approved by the board of directors and authorised for issue on 26 September 2023, and are signed on behalf of the board by:

Steven McGhee (Sep 26, 2023 12:12 GMT+1)

Steven McGhee
Director

Company registration number: SC467517

The notes on pages 11 to 19 form part of these Financial Statements.

1. General Information

C3 Investments in Ayrshire College Education Limited ("the Company") is a private company limited by shares and is incorporated and domiciled in Scotland. The address of its registered office is 2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF.

The Company's principal activity is the financing, operation and maintenance of a college on a single site campus under a Scottish Futures Trust Non Profit Distributing (NPD) program for the benefit of The Board of Management of Ayrshire College.

The construction of the college commenced in June 2014, becoming operational on 30 September 2016. The contract is in the ninth year of it's term, expiring in May 2041.

The Company's functional and presentation currency is the pound sterling. Monetary amounts in these financial statements are rounded to the nearest pound.

2. Statement of Compliance

The individual financial statements of C3 Investments in Ayrshire College Education Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS 102") and the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A have been applied, other than where additional disclosure is required to show a true and fair view.

3. Accounting Policies

(a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed further in the accounting policies.

The accounting policies stated below have been consistently applied to the years presented, unless otherwise stated.

3. Accounting Policies *(continued)*

(b) Going concern

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

The Company prepares cash flow forecasts covering the expected life of the asset and so including the 12 month period from the date the financial statements are signed. In drawing up these forecasts, the Directors have made assumptions based upon their view of the current and future economic conditions that will prevail over the forecast period. Based on these forecasts the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

In light of this, the Directors continue to adopt the going concern basis of accounting in preparing the Company's annual financial statements.

(c) Disclosure exemptions

The Company has taken advantage of the exemption in FRS 102 Section 7 'Statement of Cash Flows' part 1B, which states that a small company is not required to prepare a cash flow statement.

(d) Judgments and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. These estimates and judgments are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty are as follows:

i) Impairment of assets

Financial assets (long term debtor balance), other than those held at fair value through profit and loss are assessed for indicators of impairement at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. In respect to the long term debtor balance, the directors assess the underlying project outlook for the remainder of the concession period, the operating model and predicted cash-flows at period end. This will indicate whether the long term debtor balance is recoverable by the end of the contract concession period. An impairment is recognised if the long term debtor balance is deemed non recoverable. The impairment loss is recognised in statement of comprehensive income.

3. Accounting Policies *(continued)*

ii) Accounting for service concession arrangements

Accounting for the service concession contract and finance debtors requires estimation of service margins, finance debtor interest rates and associated amortisation profile which is based on forecast results of the contract. These were forecast initially within the opening model at financial close and are closely monitored throughout the duration of the project.

(e) Revenue recognition

Turnover represents the services' share of the management services income received by the Company for the provision of a PFI asset to the customer. This income is received over the life of the concession period. Management service income is allocated between turnover, finance debtor interest and reimbursement of finance debtor so as to generate a constant rate of return in respect of the finance debtor over the life of the contract.

(f) Income tax

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

i) Current Tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is also recognised on the revaluations of derivative financial instruments, with the movements going through the Statement of Comprehensive Income.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the deferred tax asset or liability.

3. Accounting Policies *(continued)*

(g) Finance debtor

The Company has taken the transition exemption in FRS 102 Section 35.10(i) that allows the Company to continue the service concession arrangement accounting policies from previous UK GAAP.

The Company is accounting for the concession asset based on the ability to substantially transfer all the risks and rewards of ownership to the customer, with this arrangement the costs incurred by the Company on the design and construction of the assets have been treated as a finance debtor within these financial statements.

(h) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks.

The Company is obligated to keep cash reserves as at the balance sheet date in respect of requirements in the company's funding agreements. This restricted cash balance, which is shown within the "cash at bank and in hand" balance amounts to £498,200 (2022: 249,000).

(i) Borrowings

Borrowings are recognised at amortised cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the borrowings are recognised in the Statement of Comprehensive Income over the life of the borrowings. Borrowings with maturities greater than twelve months after the reporting date are classified as non-current liabilities.

(j) Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

(k) Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price and subsequently at amortised cost, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

3. Accounting Policies *(continued)*

Financial instruments *(continued)*

Debt instruments are subsequently measured at amortised cost.

Other financial instruments are subsequently measured at fair value, with any changes recognised in the Statement of Comprehensive Income.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in the Statement of Comprehensive Income immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised. 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.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the Statement of Financial Position. Finance costs and gains or losses relating to financial liabilities are included in the Statement of Comprehensive Income. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

4. Turnover

Turnover arises from:

	2023	2022
	£	£
Rendering of services	**783,261**	607,221

The whole of the turnover is attributable to the principal activity of the Company wholly undertaken in the United Kingdom.

5. Operating Profit

Operating profit or loss is stated after charging:

	2023	2022
	£	£
Fees payable for the audit of the annual report and financial statements	**16,990**	18,000

5. Operating Profit *(continued)*

Included in the fee above is £2,850 (2022: £8,600) for the audit of the immediate parent entity.

6. Particulars of Employees and Directors

The average number of persons employed by the Company during the financial year, including the directors, amounted to nil (2022: nil). The directors did not receive any remuneration from the Company during the year (2022: £nil). During the year, the Company paid £19,740 (2022: £17,932) to a third party for the services of a director of the company.

7. Interest Receivable and Similar Income

	2023	2022
	£	£
Interest receivable on finance debtor	**2,241,216**	2,378,697

8. Interest Payable and Similar Expenses

	2023	2022
	£	£
Interest on bank loans and overdrafts	**1,703,952**	1,784,594
Interest due to Group undertakings	**377,421**	403,610
	2,081,373	2,188,204

9. Tax on Profit

Major components of tax expense

	2023	2022
	£	£
Deferred tax:		
Origination and reversal of timing differences	**211,837**	373,065
Tax on profit	**211,837**	373,065

Reconciliation of tax expense

The tax assessed on the profit for the year is higher than (2022: higher than) the standard rate of corporation tax in the UK of 19% (2022: 19%).

	2023	2022
	£	£
Profit before taxation	**243,144**	243,314
Profit before taxation by rate of tax	**41,247**	46,230
Effect of expenses not deductible for tax purposes	**144,202**	142,084
Change in tax rates	**26,388**	184,751
Total tax charge	**211,837**	373,065

10. Debtors

Debtors amounts falling due within one year are as follows:

	2023	2022
	£	£
Trade debtors	–	13,696
Finance debtor	1,502,719	1,521,792
Other debtors	1,261	9,281
	1,503,980	1,544,769

Debtors amounts falling due after more than one year are as follows:

	2023	2022
	£	£
Finance debtor	36,480,706	37,900,376

Finance Debtor

The movement in the finance debtor is analysed as follows:

	2023	2022
	£	£
At beginning of year	39,422,168	40,839,784
Amortisation	(1,438,743)	(1,417,616)
At end of year	37,983,425	39,422,168

11. Creditors: amounts falling due within one year

	2023	2022
	£	£
Bank loans	1,519,300	1,533,450
Trade creditors	5,223	22,684
Amounts owed to Group undertakings	526,276	331,993
Accruals and deferred income	275,365	155,614
Taxation and social security	130,215	131,588
	2,456,379	2,175,329

Amounts owed to Group undertakings relate to subordinated loan stock of £12,231 (2022: £14,536) (further details of which can be found in note 12) together with accrued subordinated loan stock interest of £514,045 (2022: £317,457). Loan stock balances are stated net of debt issue costs of £12,231 (2022: £14,536).

Interest is charged on the subordinated loan stock at a 9.4% per annum and is payable six monthly in March and September.

12. Creditors: amounts falling due after more than one year

	2023	2022
	£	£
Bank loans	**30,359,337**	31,878,794
Amounts owed to Group undertakings	**4,309,225**	4,349,087
	34,668,562	36,227,881

Bank loans comprise senior debt which is secured by floating charges over all the assets, rights and undertakings of the Company. The bank loan is repayable by quarterly instalments. These commenced in June 2016 and end in 2040. The loan bears an interest rate of 4.92% per annum. The full amount of loan drawdown at 31 March 2023 is £32,503,882 (2022: £34,093,162). Issue costs of £625,245 (2022: £680,917) have been set off against total loan drawdowns.

Amounts owed to Group undertakings represents subordinated debt from the parent company, being 9.40% fixed coupon unsecured loan notes. Providing certain defaults are not made by the Company, the loan notes are due for repayment on a semi-annual basis on 31 March and 30 September. 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 liquidation or other such winding-up proceedings. The full amount of loan drawdown at 31 March 2023 is £4,463,700 (2022: £4,463,700). At 31 March 2023 the loan balance of £4,463,700 was constituted of £3,990,631 of contractual loan balances and £473,069 deferred balances (2022: £4,093,792 and £369,908 respectively). Issue costs of £142,243 (2022: £100,077) have been set off against total loan drawdowns.

Included within creditors: amounts falling due after more than one year is an amount of £28,286,942 (2022: £29,788,818) in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

13. Provisions for Liabilities

	Deferred tax (note 14)
	£
At 1 April 2022	**667,907**
Movement through profit or loss	**211,837**
At 31 March 2023	**879,744**

14. Deferred Tax

The deferred tax included in the Statement of Financial Position is as follows:

	2023	2022
	£	£
Included in provisions for liabilities (note 13)	**879,744**	667,907

The deferred tax account consists of the tax effect of timing differences in respect of:

	2023	2022
	£	£
Accelerated capital allowances	**(1,237,217)**	(1,127,292)
Unused tax losses	**357,473**	459,385
	(879,744)	(667,907)

15. Called Up Share Capital

Issued, called up and fully paid

	2023		2022	
	No.	**£**	No.	£
Ordinary A shares of £1 each	**965**	**965**	965	965
Ordinary B shares of £1 each	**1**	**1**	1	1
	966	**966**	966	966

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at the general meetings.

16. Reserves

Retained earnings records retained earnings and accumulated losses.

17. Related Party Transactions

The company has undertaken the following transactions with related parties during the year.

C3 Investments in Ayrshire College Education Holdco Limited, a company who own 99.9% of the Company's share capital received £419,586 (2022: £434,708) in respect of interest on loan notes issued (see note 12). Accrued interest as at 31 March 2023 amounted to £514,045 (2022: £317,457).

The Directors have considered the provisions contained within section 33 of FRS 102 "Related Party Disclosures" and are satisfied that there are no further disclosures required.

18. Controlling Party

The Company's immediate parent company is C3 Investments in Ayrshire College Education Holdco Limited, a company registered in Scotland. Copies of the financial statements can be obtained from the Company Secretary at 11 Thistle Street, Edinburgh, EH2 1DF.

The ultimate parent company is Ednaston Project Investments Limited which is registered in England and Wales. There is no ultimate controlling party.