

Registered number 3859233

Birmingham Schools Partnership Limited
Directors' Report and Financial Statements
For the year ended 30 June 2013

THURSDAY



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31/10/2013
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Company information

Directors	G Birley-Smith M Chladek
Secretary	J Sindall
Registered office	8 White Oak Square London Road Swanley Kent BR8 7AG
Auditor	Grant Thornton UK LLP Chartered Accountants Grant Thornton House Melton Street London NW1 2EP
Bankers	Lloyds TSB Bank plc City Office Bailey Drive Gillingham Business Park Kent ME8 0LS

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2013

Principal activity

The principal activity of the Company is the provision of serviced school premises to Birmingham City Council under a Private Finance Initiative Concession Agreement dated 15 February 2000

Under the Concession Agreement, the Company was contracted to carry out school rebuilding works and the post-completion operation of property-related services at a group of schools within the City of Birmingham. The construction phase was completed in June 2002.

A further school was subsequently constructed as a variation to the Concession Agreement, which opened in September 2003.

The Company is now providing facilities management services to each of the schools for a 30-year concession term, which will end in 2032. In the opinion of the directors the Company's concession is operating satisfactorily.

Directors

The following persons were directors of the Company throughout the year and to the date of this report:

G Birley-Smith
M Chladek

Directors' indemnity

The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for directors and officers of the Company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the Company.

Appropriate directors' and officers' liability insurance cover is in place in respect of all of the Company's directors.

Directors' report (continued)

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 laws). 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 and 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.

In so far as each of the directors is aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors have prepared this report in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

Approved by the Board on **25 OCTOBER** and signed on its behalf by



~~M Chladek~~ **GAYNOR DICKEY SMITH**
Director

Independent auditor's report to the members of Birmingham Schools Partnership Limited

We have audited the financial statements of Birmingham Schools Partnership Limited for the year ended 30 June 2013 which comprise the profit and loss account, the balance sheet and the related notes. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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 30 June 2013 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.

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

Grant Thornton UK LLP

James Moss
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

25 October 2013

Profit and loss account
for the year ended 30 June 2013

	<i>Note</i>	2013 £000s	2012 £000s
Turnover	1d	5,230	5,251
Cost of sales		(3,972)	(3,930)
Gross profit		1,258	1,321
Administrative expenses		(246)	(287)
Operating profit	3	1,012	1,034
Interest payable and similar charges	4	(2,719)	(2,809)
Interest receivable and similar income	5	3,573	3,631
Profit on ordinary activities before taxation		1,866	1,856
Taxation on profit on ordinary activities	6	(354)	(379)
Profit for the financial year	16	1,512	1,477

The results for the year relate entirely to continuing activities

There are no recognised gains or losses other than the profit for the financial year

The notes on pages 8 to 15 form part of these financial statements

Balance sheet
as at 30 June 2013

	<i>Note</i>	2013 £000s	2012 £000s
Current assets			
Investments	8	-	-
Debtors amounts falling due within one year	9	1,871	1,616
Debtors amounts falling due in more than one year	10	44,261	45,169
Cash at bank and in hand		7,316	7,421
		<u>53,448</u>	<u>54,206</u>
Creditors amounts falling due within one year			
Borrowings	11	(1,223)	(1,016)
Other creditors	12	(4,081)	(4,067)
		<u>(5,304)</u>	<u>(5,083)</u>
Net current assets		<u>48,144</u>	<u>49,123</u>
Total assets less current liabilities		<u>48,144</u>	<u>49,123</u>
Creditors amounts falling due after one year			
Borrowings	11	(37,925)	(39,148)
Other creditors	13	(6,935)	(6,877)
Net assets		<u>3,284</u>	<u>3,098</u>
Capital and reserves			
Called up share capital	15	1,501	1,501
Profit and loss account	16	1,783	1,597
Equity shareholder's funds	17	<u>3,284</u>	<u>3,098</u>

The notes on pages 8 to 15 form part of these financial statements

These financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective April 2008) relating to small companies

Approved by the Board of Directors 25 OCTOBER and signed on its behalf by -



~~M Chadek~~ GAYNOR BIRLEY SMITH
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

(a) Basis of preparation

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)

(b) Going concern

After review of forecasted performance, the directors have a reasonable expectation that the Company will have adequate resources to continue operationally for the foreseeable future. For this reason the financial statements have been prepared on a going concern basis

(c) Contract receivable

The contract receivable represents the costs arising on the construction of the schools including initial tender costs and borrowing costs during the period of construction, plus timing differences arising from the recognition of finance and services income in the financial statements in periods different to the cash unitary charge receipts from the Council, less capital repayments received. Finance income arising from the receivable is allocated to accounting periods so as to produce a constant periodic return, predicated on the average cost of borrowing to the Company at the point at which the contract receivable was first recognised, on the net cash investment and is included within interest receivable. The balance of income receivable under the contract is taken as services turnover

(d) Turnover

Turnover represents services income receivable from Birmingham City Council and is stated net of VAT

(e) Capitalised interest

Finance costs incurred during the period of construction have been capitalised, and are included in the value of the contract receivable

(f) Deferred income

(i) Government grants

Government grants received from Birmingham City Council have been treated as deferred income and will be amortised on a straight-line basis over the life of the Concession

(ii) Lifecycle

The Company is required to maintain the schools to a certain level of condition and therefore incurs lifecycle expenditure in respect of maintenance costs on the schools. Payments are received from Birmingham City Council through the unitary charge to fund the Company's lifecycle obligations. The difference between the cumulative amounts received and the expenditure incurred at the balance sheet date is shown as deferred income

(g) Debt issue costs

Issue costs in respect of the Company's debt are recognised over the life of the debt at a constant rate related to the carrying value of the debt

(h) Refinancing gain

In 2003 the Company renegotiated its financing arrangements. In accordance with the code of practice then governing Private Finance Initiative transactions a proportion of the gain arising from the renegotiation was paid to the client, Birmingham City Council, as a rebate against future unitary charge receipts. This rebate has been treated as a prepayment, and will be amortised straight line over the life of the Concession

Notes (continued)

1. Accounting policies (continued)

(i) Deferred tax

As required by FRS 19 "Deferred Tax", 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, except for those differences in respect of which the standard specifies that deferred tax should not be recognised

Deferred tax assets and liabilities which are not discounted are calculated at the rates expected to be effective at the point the timing differences are expected to reverse

(j) Cash flow statement

A cash flow statement is not presented as Birmingham Schools Partnership (Group) Limited, the Company's parent Company, has prepared a consolidated cash flow statement, including the cash flows of this Company for the year ended 30 June 2013 in accordance with Financial Reporting Standard No. 1 (revised 1996)

2 Analysis by class of business and geographical area

The Company's sole business activity is that described in the Directors' Report. Accordingly all of the Company's net assets are UK based and the whole of its turnover is to the UK market

3. Operating profit

Operating profit is stated after charging -

	2013 £000s	2012 £000s
Fees payable to the Company's auditor for		
the audit of the financial statements	14	17
the provision of services relating to taxation	7	10
	<u> </u>	<u> </u>
Directors' emoluments		
Directors' fees	57	56
	<u> </u>	<u> </u>

The directors' fees were paid to the shareholder of Birmingham Schools Partnership (Group) Limited for provision of the directors' services

The Company does not operate a pension scheme for its directors. The Company had no employees during the year

The Company has entered into a liability limitation agreement with Grant Thornton UK LLP, the statutory auditor, in respect of the statutory audit for the year ended 30 June 2013. The proportionate liability agreement follows the standard terms in Appendix B to the Financial Reporting Council's June 2008 Guidance on Auditor Liability Agreements, and was approved by the directors on 5 October 2009 after members waived the need for approval of the agreement on 5 October 2009

4. Interest payable and similar charges

	2013 £000s	2012 £000s
Bank loan finance	2,578	2,667
Unsecured subordinated loan stock 2032	126	126
Amortisation of loan issue costs	15	16
	<u>2,719</u>	<u>2,809</u>

Notes (continued)

5. Interest receivable and similar income

	2013 £000s	2012 £000s
Interest receivable on contract receivable	3,178	3,238
Interest on loan to group company	376	376
Other interest receivable	19	17
	<u>3,573</u>	<u>3,631</u>

6. Taxation on profit on ordinary activities

(a) Analysis of the charge in the period

	2013 £000s	2012 £000s
<i>Current tax</i>		
UK corporation tax on profits for the current period	354	379
Total current tax	<u>354</u>	<u>379</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	-	-
Total deferred tax	<u>-</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>354</u>	<u>379</u>

(b) Factors affecting the tax charge for the period

The tax assessed for the period differs from the standard rate of corporation tax in the United Kingdom 23.75% (25.57%)
 The differences are explained below

	2013 £000s	2012 £000s
Profit on ordinary activities before tax	<u>1,866</u>	<u>1,856</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK% 23.75% (2012: 25.57%)	443	475
<i>Effects of permanent differences</i>		
Group relief not paid for	(89)	(96)
Current tax charge for the period	<u>354</u>	<u>379</u>

(c) Factors that may affect future and total tax charges

The Company is not aware of any factors that may affect future tax charges

Notes (continued)

7 Dividends

	2013 £000s	2012 £000s
Amounts recognised as distributions to the equity shareholder in the year		
2012 final dividend paid of 59 1p (2012 83 89p)	887	1,258
2013 interim dividend paid of 29 3p (2012 54 2p)	440	813
	<u>1,327</u>	<u>2,071</u>

8. Current asset investments

	2013 £000s	2012 £000s
Short term deposits	-	-
	<u>-</u>	<u>-</u>

9. Debtors: amounts falling due within one year

	2013 £000s	2012 £000s
Contract receivable	843	777
Trade debtors	239	56
Accrued income	739	746
Prepaid unitary charge	21	21
Other prepayments	29	12
Other debtors	-	4
	<u>1,871</u>	<u>1,616</u>

Notes (continued)

10. Debtors: amounts falling due after more than one year

	2013 £000s	2012 £000s
Contract receivable	38,468	39,289
Less falling due within one year	(843)	(777)
Falling due after more than one year	<u>37,625</u>	<u>38,512</u>
Loan to Birmingham Schools Partnership (Group) Limited	6,260	6,260
Prepaid unitary charge	377	397
	<u>44,262</u>	<u>45,169</u>
Contract receivable comprises		
Cost	42,929	42,929
Cumulative capital repayments	(6,048)	(5,272)
Income recognition timing differences	1,587	1,632
	<u>38,468</u>	<u>39,289</u>

The Company has advanced £6,260,000 by way of an unsecured loan with no fixed repayment date to Birmingham Schools Partnership (Group) Limited. Interest on the loan is receivable semi annually in January and July at the rate of 6% per annum. The Company has provided assurance that it will not request repayment from Birmingham Schools Partnership (Group) Limited within 12 months of the balance sheet date.

11. Borrowings

	2013 £000s	2012 £000s
Bank loan finance	38,263	39,294
Unsecured subordinated loan stock 2032	1,046	1,046
	<u>39,309</u>	<u>40,340</u>
Less unamortised net issue costs	(161)	(176)
	<u>39,148</u>	<u>40,164</u>
Borrowing are repayable as follows		
Amounts falling due within one year	1,223	1,016
Amounts falling due after one year		
Between two and five years	5,777	5,575
After five years	<u>32,148</u>	<u>33,573</u>
Total amounts falling due after more than one year	<u>37,925</u>	<u>39,148</u>
	<u>39,148</u>	<u>40,164</u>

Bank loan facility

The bank loan facility is stated net of arrangement fees totalling £0.148m (2012 £0.162m). The bank loan facility is repayable at six monthly intervals which commenced on 1 July 2003 and will end on 1 January 2030.

Notes (continued)

11. Borrowings (continued)

The amounts repayable are based on specified percentages of the loan principal which increase progressively from 0.802% to 4.897%. The loan incurs interest at a rate based on a fixed margin over LIBOR. The Company has entered into interest rate hedging arrangements that effectively fix LIBOR at between 5.15% and 6.32% per annum on borrowings under the facility until 1 July 2022, and at 5.15% thereafter until the final maturity date of the loan.

The bank loan facility is secured by a fixed and floating charge over the Company's shares and all other assets.

Unsecured subordinated loan stock 2032

The unsecured subordinated loan stock 2032 is stated net of arrangement fees totalling £0.013m (2012: £0.014m). The coupon on the loan stock is payable at the rate of 12% per annum. Interest is payable semi-annually in January and July of each year. The loan stock is repayable in 2032.

12 Other creditors: amounts falling due within one year

	2013 £000s	2012 £000s
Trade creditors	120	267
Due to Birmingham Schools Partnership (Holdings) Limited	73	73
Due to Birmingham Schools Partnership (Group) Limited	59	57
Corporation tax	179	181
VAT	283	313
Accruals	1,796	1,556
Deferred income – government grants (note 1f)	32	32
Deferred income – lifecycle (note 1f)	1,539	1,588
	<u>4,081</u>	<u>4,067</u>

13 Other creditors: amounts falling due after more than one year

	2013 £000s	2012 £000s
Deferred income – government grants (note 1f)	580	612
Deferred income – lifecycle (note 1f)	6,355	6,265
	<u>6,935</u>	<u>6,877</u>

14. Capital commitments

There is no capital expenditure contracted for at the year end (2012: nil).

Notes (continued)

15. Share capital

	2013 Number	2012 Number
<i>Authorised</i>		
1,501,000 ordinary shares of £1	<u>1,501,000</u>	<u>1,501,000</u>
	2013 £000s	2012 £000s
<i>Allotted, called up and fully paid</i>		
1,501,000 ordinary shares of £1	<u>1,501</u>	<u>1,501</u>

16. Reserves

	Profit and loss account £000s
1 July 2012	1,598
Profit for the year	1,512
Dividends paid (see note 7)	(1,327)
30 June 2013	<u>1,783</u>

17. Reconciliation of movement in shareholder's funds

	2013 £000s	2012 £000s
Opening shareholder's funds as at 1 July 2012	3,098	3,692
Profit for the year	1,512	1,477
Dividends paid (see note 7)	(1,327)	(2,071)
Closing shareholder's funds as at 30 June 2013	<u>3,284</u>	<u>3,098</u>

18. Ultimate parent company

The Company's immediate parent company is Birmingham Schools Partnership (Holdings) Limited which is a wholly owned subsidiary of Birmingham Schools Partnership (Group) Limited both of which companies are registered in England and Wales. Birmingham Schools Partnership (Group) Limited's shareholder is Innisfree Nominees Limited, acting in its capacity as custodian of the partnership assets of the Innisfree M&G PPP LP, and is the ultimate controlling party.

The smallest and largest group for which consolidated financial statements are prepared is Birmingham Schools Partnership (Group) Limited.

19. Related party transactions

Innisfree

The Company's ultimate parent company is owned by Innisfree Nominees Limited (in its capacity as custodian of the partnership assets of the Innisfree M&G PPP LP). During the year, costs totalling £57,290 (2012 £56,262) in respect of

management services were charged to the Company by Innisfree Nominees Limited and at 30 June 2013 the balance owed by the Company to Innisfree Nominees Limited amounted to £nil (2012 £nil)

Health Care Projects Limited

The Innisfree M&G PPP LP owns the equity of HCP Social Infrastructure (UK) Limited. During the year costs totalling £129,881 in respect of management services were invoiced to the Company HCP Social Infrastructure (UK) Limited (2012 £125,810) and at 30 June 2013 the balance owed by the Company to HCP Social Infrastructure (UK) Limited amounted to £nil (2012 £nil)

The Company has taken advantage of the exemption available to it not to disclose transactions with other group undertakings that are 100% owned directly or indirectly by the ultimate parent undertaking