

Company Registration No. 03859233 (England and Wales)

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016



BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

COMPANY INFORMATION

Directors	Mrs G Birley-Smith Mr R Sheehan
Secretary	HCP Social Infrastructure (UK) Ltd
Company number	03859233
Registered office	8 White Oak Square London Road Swanley Kent BR8 7AG
Auditor	Grant Thornton UK LLP Grant Thornton House Melton Street Euston Square London NW1 2EP

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

CONTENTS

	Page
Directors' report	1
Directors' responsibilities statement	2
Independent auditor's report	3 - 4
Statement of total comprehensive income	5
Balance sheet	6
Statement of changes in equity	7
Notes to the financial statements	8 - 20

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

The directors present their annual report and financial statements for the year ended 30 June 2016.

Principal activities

The principal activity of the company continued to be that of providing 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.

Birmingham Schools Partnership Limited 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 directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mrs G Birley-Smith
Mr R Sheehan

Auditor

The auditor, Grant Thornton UK LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board



Mr R Sheehan

Director

21 October 2016

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

The directors are responsible for preparing the Annual 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, including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. 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 judgements 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.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

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 2016 which comprise the Statement of Total Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2016 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.

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.

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 any material misstatements in the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and from preparing a strategic report.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

Grant Thornton UK LLP

Richard Hagley (Senior Statutory Auditor)
for and on behalf of Grant Thornton UK LLP, Statutory Auditor

Chartered Accountants

Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

21 October 2016

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 £'000	2015 £000
Turnover		5,653	5,486
Operating costs		(4,457)	(4,634)
Operating profit	3	1,196	852
Interest receivable and similar income	6	3,357	3,436
Interest payable and similar charges	7	(2,497)	(2,543)
Profit on ordinary activities before taxation		2,056	1,745
Taxation	8	(336)	(284)
Profit for the financial year		1,720	1,461
Other comprehensive income			
Effective portion of fair value change in cash flow hedge arising in the year		(4,141)	(788)
Tax relating to other comprehensive income		575	158
Other comprehensive income for the year		(3,566)	(630)
Total comprehensive (loss)/profit for the year		(1,846)	831

The profit and loss account has been prepared on the basis that all operations are continuing operations.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

BALANCE SHEET

AS AT 30 JUNE 2016

	Notes	2016 £'000	2015 £000	2015 £000
Current assets				
Debtors falling due after one year	10	34,969	43,766	
Debtors falling due within one year	10	2,176	2,133	
Cash at bank and in hand		6,521	6,751	
		<u>43,666</u>	<u>52,650</u>	
Creditors: amounts falling due within one year	12	<u>(3,964)</u>	<u>(4,911)</u>	
Net current assets			39,702	47,739
Creditors: amounts falling due after more than one year	13		(46,761)	(51,348)
Net liabilities			<u>(7,059)</u>	<u>(3,609)</u>
Capital and reserves				
Called up share capital	15		1,501	1,501
Hedging reserve			(10,419)	(6,853)
Profit and loss reserves			1,859	1,743
Total equity			<u>(7,059)</u>	<u>(3,609)</u>

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

The notes on pages 8 to 20 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 21 October 2016 and are signed on its behalf by:



Mr R Sheehan
Director

Company Registration No. 03859233

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

		Share capital	Hedging reserve	Profit and loss reserves	Total
	Notes	£'000	£'000	£'000	£'000
Balance at 1 July 2014		1,501	-	1,921	3,422
Effect of transition to FRS 102	18	-	(6,223)	-	(6,223)
As restated		1,501	(6,223)	1,921	(2,801)
<hr/>					
Period ended 30 June 2015:					
Profit for the year		-	-	1,461	1,461
Other comprehensive income:					
Cash flow hedges losses arising in the year		-	(788)	-	(788)
Tax relating to other comprehensive income		-	158	-	158
		<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year		-	(630)	1,461	831
Dividends		-	-	(1,639)	(1,639)
		<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2015		1,501	(6,853)	1,743	(3,609)
<hr/>					
Period ended 30 June 2016:					
Profit for the year		-	-	1,720	1,720
Other comprehensive income:					
Cash flow hedges losses arising in the year		-	(4,141)	-	(4,141)
Tax relating to other comprehensive income		-	575	-	575
		<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year		-	(3,566)	1,720	(1,846)
Dividends		-	-	(1,604)	(1,604)
		<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2016		1,501	(10,419)	1,859	(7,059)
		<hr/>	<hr/>	<hr/>	<hr/>

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

1 Accounting policies

Company information

Birmingham Schools Partnership Limited is a limited company domiciled and incorporated in England and Wales. The registered office is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") as applicable to smaller entities and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared on the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The Company has applied FRS 102, issued by the Financial Reporting Council, incorporating the Amendments to FRS 102 issued by the Financial Reporting Council in July 2015 and the amendments to Company law made by Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 (SI 2015/980) prior to their mandatory effective date of accounting periods beginning on or after 1 January 2016.

These financial statements for the year ended 30 June 2016 are the first financial statements of Birmingham Schools Partnership Limited prepared in accordance with FRS 102. The date of transition to FRS 102 was 1 July 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 18.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

Service concession arrangements

The company entered into its service concession arrangement before the date of transition to this FRS. Therefore its service concession arrangements have continued to be accounted for using the same accounting policies being applied at the date of transition to this FRS, in accordance with the exemption in s35.10.

In these financial statements, the company is considered a qualifying small entity for the purpose of FRS 102 and has applied the exemptions available under FRS 102 in respect of a Cash flow statement and related notes.

1.2 Going concern

The Directors have reviewed the cash flow forecast and financial position of the company. Although the balance sheet shows net liabilities due to recognising the fair value of the interest rate swaps, which will unwind over the course of the project agreement, taking into account reasonable possible risks in operations to the Company and the fact the obligations of the Company's sole customer are underwritten by the Secretary of State for Education, the Directors believe that the Company will be able to settle its liabilities as they fall due for the foreseeable future and therefore it is appropriate to prepare these financial statements on the going concern basis.

1.3 Turnover

Turnover is recognised in accordance with the service concession contract accounting policy. Turnover represents value of work done entirely in the United Kingdom and excludes value added tax.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

1 Accounting policies

(Continued)

1.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.5 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end 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. The impairment loss is recognised in profit or loss.

Classification of financial liabilities

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 company after deducting all of its liabilities.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, and loans from shareholders, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each reporting date. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

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 company after deducting all of its liabilities.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.6 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

The called up share capital reserve records the value of the authorised and fully paid up shares of the Company. The cash flow hedge reserve is where the fair value of the swaps, and the movements thereon, are recorded, along with the deferred tax arising on the balance. The profit and loss reserve records the accumulated profits and losses of the company.

1.7 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

1 Accounting policies

(Continued)

Hedge accounting

Other financial instruments not meeting the definition of Basic financial instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant movement in fair value is discussed below.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, the effective part of any gain or loss on the derivative financial instrument is recognised directly in Other Comprehensive Income and included in the Hedging Reserve. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in Other Comprehensive Income is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged expected future cash flows affect profit or loss the hedging gain or loss is reclassified to profit and loss.

If the hedged future cash flows are no longer expected to occur, the amount that has been accumulated in the cash flow hedge reserve is reclassified from the reserve to profit and loss immediately. If the hedged future cash flows are still expected to occur, the cumulative gain or loss in the cash flow reserve is reclassified to profit and loss in accordance with the policy above.

1.8 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

1 Accounting policies

(Continued)

1.9 Service Concession Accounting

The company is an operator of a Public Finance Initiative ("PFI") contract. The underlying asset is not deemed to be an asset of the company because the risks and rewards of ownership are deemed to lie principally with the Authority. The company entered into its service concession arrangement before the date of transition to FRS 102. Therefore its service concession arrangements have continued to be accounted for using the same accounting policies being applied at the date of transition to this FRS, in accordance with the exemption in s35.10.

During the construction phase of the project, all attributable expenditure was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were transferred to the finance debtor. During the operational phase income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover. The company recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

Major maintenance costs are recognised when the services are performed, and the revenue in respect of these services is recognised on a contractual basis.

1.10 Interest Receivable and Payable

Interest payable and similar charges include interest payable on borrowings and associated ongoing financing fees.

Other interest receivable and similar income include interest receivable on funds invested and interest recognised on the finance debtor based upon the finance debtor accounting policy above.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Hedge Accounting

The directors consider the company to have met the criteria for hedge accounting and the company has therefore recognised fair value movements on derivatives in effective hedging relationships through other comprehensive income as well as the deferred tax thereon.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

2 Judgements and key sources of estimation uncertainty

(Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Valuation of derivative financial instruments

The directors use their judgement in selecting a suitable valuation technique for derivative financial instruments. These techniques use a discounted cash flow analysis based on market observable inputs derived from similar instruments in similar and active markets. The directors do not consider the impact of own credit risk to be material.

Service concession arrangement

As disclosed in Note 1, the company accounts for the project as a service concession arrangement. The directors use their judgement in selecting the appropriate financial asset rate to be applied in order to allocate the income received between revenue, and capital repayment of and interest income on the financial asset; and also the service margin that is used to recognise service revenue. The directors have also used their judgement in assessing the appropriateness of the future maintenance costs that are included in the company's forecasts. The directors will continue to monitor the condition of the assets and undertake a regular review of maintenance spend.

3 Operating profit

	2016 £'000	2015 £'000
Operating profit for the year is stated after charging:		
Fees payable to the company's auditor for the audit of the company's financial statements	14	20

4 Employees

The company had no employees during the year (2015: nil)

5 Directors' remuneration

	2016 £'000	2015 £'000
Sums paid to third parties for directors' services	61	61

The Directors received no salary in the performance of their duties during the current or preceding year. Director's fees of £61,000 (2015: £61,000) were paid by the Company to the shareholder of Birmingham Schools Partnership (Group) Limited for the services of the Directors of Group companies during the year.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

6 Interest receivable and similar income

	2016 £'000	2015 £'000
Interest income		
Interest on bank deposits	4	21
Interest receivable from group companies	375	376
Interest on finance debtor	2,978	3,039
	<u> </u>	<u> </u>
Total income	<u>3,357</u>	<u>3,436</u>

7 Interest payable and similar charges

	2016 £'000	2015 £'000
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	2,335	2,382
Interest on subordinated loans	148	147
Amortisation of finance arrangement costs	14	14
	<u> </u>	<u> </u>
	<u>2,497</u>	<u>2,543</u>

8 Taxation

	2016 £'000	2015 £'000
Current tax		
UK corporation tax on profits for the current period	336	284
	<u> </u>	<u> </u>

The charge for the year can be reconciled to the profit per the profit and loss account as follows:

	2016 £'000	2015 £'000
Profit before taxation	<u>2,056</u>	<u>1,745</u>
Expected tax charge based on a corporation tax rate of 20.00% (2015 - 20.80%)	411	363
Group relief	(75)	(79)
	<u> </u>	<u> </u>
Tax expense for the year	<u>336</u>	<u>284</u>

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

8 Taxation

(Continued)

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2016 £'000	2015 £'000
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	(575)	(158)

9 Financial instruments

	2016 £'000	2015 £'000
Carrying amount of financial assets		
Debt instruments measured at amortised cost	40,351	49,847
Carrying amount of financial liabilities		
Measured at fair value	(12,708)	(8,567)
Measured at amortised cost	(37,534)	(47,338)
	(50,242)	(55,905)

10 Debtors

	2016 £'000	2015 £'000
Amounts falling due within one year:		
Trade debtors	35	23
Finance debtor	1,093	1,000
Other debtors	1,048	1,110
	2,176	2,133
Amounts falling due after one year:		
Amounts due from group undertakings	6,260	6,260
Finance debtor	26,107	35,457
Other debtors	314	335
	32,681	42,052
Deferred tax asset (note 14)	2,288	1,714
	34,969	43,766
Total debtors	37,145	45,899

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

11 Loans and overdrafts

	2016 £'000	2015 £'000
Bank loans	34,059	35,508
Subordinated loans	1,035	1,034
	<u>35,094</u>	<u>36,542</u>
Payable within one year	1,525	1,454
Payable after one year	<u>33,569</u>	<u>35,088</u>
Amounts included above which fall due after five years:		
Payable by instalments	<u>27,784</u>	<u>29,389</u>

Bank loan facility

The bank loan facility is stated net of arrangement fees totalling £106,000 (2015: £120,000). The bank loan facility is repayable at six monthly intervals which commenced on 1 July 2003 and will end on 1 January 2030.

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 2.64% and 6.32% per annum on borrowings under the facility until 1 July 2022, and between 2.64% and 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 £11,000 (2015: £12,000). 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 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Loans and overdrafts	1,525	1,454
Trade creditors	199	194
Amounts due to group undertakings	272	235
Corporation tax payable	198	143
Other taxation and social security	285	211
Other creditors	1,485	2,674
	<u>3,964</u>	<u>4,911</u>

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

13 Creditors: amounts falling due after more than one year

	2016 £'000	2015 £'000
Loans and overdrafts	33,569	35,088
Accruals and deferred income	484	7,693
Derivative financial instruments	12,708	8,567
	<u>46,761</u>	<u>51,348</u>

14 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Assets 2016 £'000	Assets 2015 £'000
Balances:		
Derivative financial instruments	<u>2,288</u>	<u>1,714</u>
Movements in the year:		2016 £'000
Asset at 1 July 2015		1,714
Credit to other comprehensive income		829
Effect of change in tax rate - other comprehensive income		(255)
Asset at 30 June 2016		<u>2,288</u>

The deferred tax asset set out above is expected to reverse over the life of the concession.

15 Share capital

	2016 £'000	2015 £'000
Ordinary share capital		
Issued and fully paid		
Ordinary shares of £1 each	<u>1,501</u>	<u>1,501</u>

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

16 Related party transactions

Transactions with related parties

The company has entered into transactions in the ordinary course of business with its management service provider HCP Social Infrastructure (UK) Limited. HCP Holdings Limited, the parent company of HCP Social Infrastructure (UK) Limited, is owned by Innisfree Limited, which also manages the funds invested in the company. During the year the company incurred costs of £152,000 (2015: £132,000) in respect of project management and other associated services to HCP Social Infrastructure (UK) Limited. As at 30 June 2016, £1,000 (2015: £nil) due to HCP Social Infrastructure (UK) Limited remains outstanding and is included in accruals.

During the year ended 30 June 2016, the company incurred £61,000 (2015: £61,000) in respect of directors' services from Innisfree Limited. As at 30 June 2016 £37,000 (2015: £nil) due to Innisfree Limited is included in Trade creditors.

As a wholly owned subsidiary of Birmingham Schools Partnership (Holdings) Ltd, which itself is a wholly owned subsidiary of Birmingham Schools Partnership (Group) Ltd, the company has taken advantage of the exemption given in section 33 of FRS 102 not to disclose related party transactions with either Birmingham Schools Partnership (Holdings) Ltd and Birmingham Schools Partnership (Group) Ltd.

17 Controlling party

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 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, which is the ultimate controlling party.

18 Reconciliations on adoption of FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements under the previous UK GAAP were for the year ended 30 June 2015. The date of transition to FRS 102 was 1 July 2014. Set out below are the changes in accounting policies which reconcile the total equity as at 1 July 2014 and 30 June 2015 and profit in the year to 30 June 2015 between UK GAAP as previously reported, and FRS 102.

Reconciliation of equity

Notes	At 1 July 2014			At 30 June 2015		
	Previous UK GAAP £'000	Effect of transition £'000	FRS 102 £'000	Previous UK GAAP £'000	Effect of transition £'000	FRS 102 £'000
Current assets						
Debtors due after one year	43,290	-	43,290	42,052	-	42,052
Debtors - deferred tax	-	1,556	1,556	-	1,714	1,714
Debtors due within one year	1,791	-	1,791	2,133	-	2,133
Bank and cash	7,018	-	7,018	6,751	-	6,751
	<u>52,099</u>	<u>1,556</u>	<u>53,655</u>	<u>50,936</u>	<u>1,714</u>	<u>52,650</u>

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

18 Reconciliations on adoption of FRS 102

(Continued)

Notes	At 1 July 2014			At 30 June 2015		
	Previous UK GAAP £'000	Effect of transition £'000	FRS 102 £'000	Previous UK GAAP £'000	Effect of transition £'000	FRS 102 £'000
Creditors due within one year						
Loans and overdrafts	1,383	-	1,383	1,454	-	1,454
Taxation	441	-	441	354	-	354
Other creditors	3,179	-	3,179	3,103	-	3,103
	<u>5,003</u>	<u>-</u>	<u>5,003</u>	<u>4,911</u>	<u>-</u>	<u>4,911</u>
Net current assets	<u>47,096</u>	<u>1,556</u>	<u>48,652</u>	<u>46,025</u>	<u>1,714</u>	<u>47,739</u>
Total assets less current liabilities	<u>47,096</u>	<u>1,556</u>	<u>48,652</u>	<u>46,025</u>	<u>1,714</u>	<u>47,739</u>
Creditors due after one year						
Loans and overdrafts	36,542	-	36,542	35,088	-	35,088
Derivatives	-	7,779	7,779	-	8,567	8,567
Other creditors	7,132	-	7,132	7,693	-	7,693
	<u>43,674</u>	<u>7,779</u>	<u>51,453</u>	<u>42,781</u>	<u>8,567</u>	<u>51,348</u>
Net assets	<u>3,422</u>	<u>(6,223)</u>	<u>(2,801)</u>	<u>3,244</u>	<u>(6,853)</u>	<u>(3,609)</u>
Capital and reserves						
Share capital	1,501	-	1,501	1,501	-	1,501
Hedging reserve	-	(6,223)	(6,223)	-	(6,853)	(6,853)
Profit and loss	1,921	-	1,921	1,743	-	1,743
Total equity	<u>3,422</u>	<u>(6,223)</u>	<u>(2,801)</u>	<u>3,244</u>	<u>(6,853)</u>	<u>(3,609)</u>

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

18 Reconciliations on adoption of FRS 102

(Continued)

Reconciliation of profit or loss for the year

	Notes	Year ended 30 June 2015		FRS 102 £000
		Previous UK GAAP £'000	Effect of transition £'000	
Turnover		5,486	-	5,486
Administrative expenses		(4,634)	-	(4,634)
Interest receivable and similar income		3,436	-	3,436
Interest payable and similar charges		(2,543)	-	(2,543)
Profit before taxation		1,745	-	1,745
Taxation		(284)	-	(284)
Profit for the financial period		1,461	-	1,461

Notes to reconciliations on adoption of FRS 102

FRS 102 requires derivative financial instruments to be recognised at fair value. Previously under UK GAAP the company did not recognise these instruments in the financial statements. Accordingly at transition a liability and corresponding deferred tax asset was recognised.

Subsequent changes in the fair value have been recognised through the hedging reserve.