Company Registration No. 03859233 (England and Wales)

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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 30 Finsbury Square London EC2P 2YU

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

CONTENTS

	Page
Directors' report	1
Directors' responsibilities statement	2
Independent auditor's report	3 - 5
Statement of total comprehensive income	6
Balance sheet	7
Statement of changes in equity	8
Notes to the financial statements	9 - 19

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2017

The directors present their annual report and financial statements for the year ended 30 June 2017.

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

Results and dividends

The results for the year are set out on page 5. The profit for the year after taxation amounted to £2,391,000 (2016: £1,720,000).

The Directors paid a dividend of £939,000 in respect of the year ended 30 June 2017 (2016: £1,604,000).

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 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

R W Sheehan

Mr R Sheehan
Director
18 October 2017

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2017

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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

The directors confirm that:

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

On behalf of the board

Mr R Sheehan
Director
18 October 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

We have audited the financial statements of Birmingham Schools Partnership Limited (the 'company') for the year ended 30 June 2017 which comprise the Statement of Total Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2017 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's 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.

Who we are reporting to
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.

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

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

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. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report by the Companies Act 2006
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.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors for the financial statements
As explained more fully in the directors' responsibilities statement set out on page 2, 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's 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Grant Thornton UK LLP

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

Chartered Accountants
Statutory Auditor
30 Finsbury Square
London
EC2P 2YU

23 October 2017

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

STATEMENT OF TOTAL COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 £'000	2016 £'000
Turnover		5,689	5,653
Operating costs		(3,701)	(4,457)
Operating profit	3	1,988	1,196
Interest receivable and similar income	6	3,288	3,357
Interest payable and similar expenses	7	(2,381)	(2,497)
Profit on ordinary activities before taxation		2,895	2,056
Taxation	8	(504)	(336)
Profit for the financial year		2,391	1,720
Other comprehensive income			
Effective portion of fair value change in cash flow hedge arising in the year		1,451	(4,141)
Tax relating to other comprehensive income	8	566	575
Other comprehensive income for the year		2,017	(3,566)
Total comprehensive profit/(loss) for the year		4,408	(1,846)

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 2017

	Notes	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Current assets					
Debtors falling due after one year	10	33,176		34,969	
Debtors falling due within one year	10	2,242		2,176	
Cash at bank and in hand		7,619		6,521	
		43,037		43,666	
Creditors: amounts falling due within one year	12	(4,788)		(3,964)	
Net current assets			38,249		39,702
Creditors: amounts falling due after more than one year	13		(41,839)		(46,761)
Net liabilities			(3,590)		(7,059)
Capital and reserves					
Called up share capital	15		1,501		1,501
Hedging reserve			(8,402)		(10,419)
Profit and loss reserves			3,311		1,859
Total equity			(3,590)		(7,059)

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 18 October 2017 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 2017

	Notes	Share capital £'000	Hedging reserve £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 July 2015		1,501	(6,853)	1,743	(3,609)
Year ended 30 June 2016:					
Profit for the year		-	-	1,720	1,720
Other comprehensive income:					
Cash flow hedges gains		-	(4,141)	-	(4,141)
Tax relating to other comprehensive income		-	575	-	575
Total comprehensive income for the year		-	(3,566)	1,720	(1,846)
Dividends		-	-	(1,604)	(1,604)
Balance at 30 June 2016		1,501	(10,419)	1,859	(7,059)
Year ended 30 June 2017:					
Profit for the year		-	-	2,391	2,391
Other comprehensive income:					
Cash flow hedges gains		-	1,451	-	1,451
Tax relating to other comprehensive income		-	566	-	566
Total comprehensive income for the year		-	2,017	2,391	4,408
Dividends		-	-	(939)	(939)
Balance at 30 June 2017		1,501	(8,402)	3,311	(3,590)

1 Accounting policies

Company information

Birmingham Schools Partnership Limited is a private company limited by shares 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.

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.

1.4 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and 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 balance sheet 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.

1 Accounting policies **(Continued)**

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

Other financial assets
Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

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 the Statement of Comprehensive Income.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

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.

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.

1 Accounting policies ***(Continued)***

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 the company's contractual obligations expire or are discharged or cancelled.

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.

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.

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.

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

	2017	2016
Operating profit for the year is stated after charging:	£'000	£'000
Fees payable to the company's auditor for the audit of the company's financial statements	16	14

4 Employees

The company had no employees during the year (2016: nil)

5 Directors' remuneration

	2017	2016
	£'000	£'000
Sums paid to third parties for directors' services	63	61

The Directors received no salary in the performance of their duties during the current or preceding year. Director's fees of £63,000 (2016: £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.

6 Interest receivable and similar income

	2017 £'000	2016 £'000
Interest income		
Interest on bank deposits	24	4
Interest receivable from group companies	375	375
Interest on finance debtor	2,889	2,978
Total income	3,288	3,357

7 Interest payable and similar expenses

	2017 £'000	2016 £'000
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	2,221	2,335
Interest on subordinated loans	147	148
Amortisation of finance arrangement costs	13	14
	2,381	2,497

8 Taxation

	2017 £'000	2016 £'000
Current tax		
UK corporation tax on profits for the current period	504	336

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2017 £'000	2016 £'000
Profit before taxation	2,895	2,056
Expected tax charge based on a corporation tax rate of 20.00% (2016 - 20.00%	579	411
Group relief	(75)	(75)
Tax expense for the year	504	336

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:

	2017 £'000	2016 £'000
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	(566)	(575)

9 Financial instruments

	2017 £'000	2016 £'000
Carrying amount of financial assets		
Debt instruments measured at amortised cost	40,303	40,351
Carrying amount of financial liabilities		
Measured at fair value	(19,375)	(12,708)
Measured at amortised cost	(26,648)	(37,534)
	(46,023)	(50,242)

10 Debtors

Amounts falling due within one year:	2017 £'000	2016 £'000
Trade debtors	23	35
Finance debtor	1,185	1,093
Other debtors	1,034	1,048
	2,242	2,176
Amounts falling due after more than one year:		
Amounts due from group undertakings	6,260	6,260
Finance debtor	24,902	26,107
Other debtors	293	314
	31,455	32,681
Deferred tax asset	1,721	2,288
	33,176	34,969
Total debtors	35,418	37,145

11 Loans and overdrafts

	2017 £'000	2016 £'000
Bank loans	32,537	34,059
Other loans	1,036	1,035
	33,573	35,094
Payable within one year	1,437	1,525
Payable after one year	32,136	33,569

Bank loan facility

The bank loan facility is stated net of arrangement fees totalling £94,000 (2016: £106,000). 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 £10,000 (2016: £11,000). 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

	2017 £'000	2016 £'000
Bank loans and overdrafts	1,437	1,525
Trade creditors	211	199
Amounts due to group undertakings	273	272
Corporation tax	276	198
Other taxation and social security	328	285
Other creditors	2,263	1,485
	4,788	3,964

13 Creditors: amounts falling due after more than one year

	2017 £'000	2016 £'000
Loans and overdrafts	32,136	33,569
Accruals and deferred income	452	484
Derivative financial instruments	9,251	12,708
	41,839	46,761

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:

Balances:	Assets 2017 £'000	Assets 2016 £'000
Derivative financial instruments	1,573	2,288

Movements in the year:	2017 £'000
Asset at 1 July 2016	2,288
Charge to other comprehensive income	(622)
Effect of change in tax rate - other comprehensive income	(93)
Asset at 30 June 2017	1,573

15 Share capital

	2017 £'000	2016 £'000
Ordinary share capital		
Issued and fully paid		
1,501,000 Ordinary shares of £1 each	1,501	1,501

16 Related party transactions

Transactions with related parties
No guarantees have been given or received.

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 £167,000 *(2016: £152,000)* in respect of project management and other associated services to HCP Social Infrastructure (UK) Limited. As at 30 June 2017, £2,000 *(2016: £1,000)* due to HCP Social Infrastructure (UK) Limited remains outstanding and is included in accruals.

During the year ended 30 June 2017, the company incurred £63,000 *(2016: £61,000)* in respect of directors' services from Innisfree Limited. As at 30 June 2017 £38,000 *(2016: £37,000)* due to Innisfree Limited is included in Trade creditors.

As a wholly owned subsidiary of Birmingham Schools Partnership (Holdings) Limited, which itself is a wholly owned subsidiary of Birmingham Schools Partnership (Group) Limited, 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) Limited and Birmingham Schools Partnership (Group) Limited.

17 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 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.