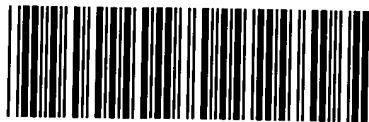


Registered number 3859233

Birmingham Schools Partnership Limited
Directors' Report and Financial Statements
For the year ended 30 June 2015

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Company information

Directors	G. Birley-Smith R. Sheehan
Secretary	HCP Social Infrastructure (UK) Ltd
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

Strategic Report

The Directors present their strategic report for the year ended 30 June 2015.

Business review

Birmingham Schools Partnership Limited ("BSPL") provides 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.

Financial performance and financial position

Turnover for the year is £5,486,000 (2014: £4,848,000), of which the main component is service fee income.

Financial penalties are levied by the Authority in the event of performance standards not being achieved according to detailed criteria set out in the Project Agreement. The deductions are passed on to the service provider but the quantum is an indication of unsatisfactory performance. During the year deductions of £366 were levied by the Authority and passed onto the service provider. This deduction relates to 0.02% of the total fees charged by the service provider and is considered not to be significant.

The Directors have modelled the anticipated financial outcome of the Project across its full term. The Directors monitor actual financial performance against this anticipated performance. Financial covenants have been met during the year and, having considered the anticipated future performance and position of the Company, the Directors are of the opinion that the covenants will continue to be met in the future, and the Company will therefore continue in business.

The Directors have also considered the ability of Birmingham City Council (the Council) to continue to pay the unitary fees, due under the concession contract, to the Company and do not consider this to be a material risk. The Company's forecasts and projections, taking into account reasonably possible counterparty performance, show that the Company expects to be able to continue to operate for the full term of the concession.

The Directors believe the FRS5 finance debtor to be recoverable over the life of the Concession Agreement.

Key Performance Indicators

The key performance indicators for the Company are:

- schools became available on the scheduled date; and
- the net cash flow is in line with or better than forecast.

The construction programme was completed as scheduled and all schools were operational.

Net cash flow for the year was in line with the original forecast.

Principal risks and uncertainties

The financial risks which the Company is exposed to are credit risk, interest rate risk, liquidity risk and contractual relationships.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables, each of which arise from its primary client, Birmingham City Council. The credit and cash flow risks are not considered significant as the client is a local government organisation.

Strategic Report (continued)

Interest rate risk

The financial risk management objective of the Company is to ensure that financial risks are mitigated by the use of financial instruments where they cannot be addressed by means of contractual provisions. Financial instruments are not used for speculative purposes. Interest rate swaps are in place between 2006 and 2038 for notional principal amounts equating to the full value of the expected bank debt that is at a variable rate of interest to give an effective fixed interest rate payable on this debt.

Liquidity risk

The Company's liquidity risk is principally managed through financing the Group by means of long-term borrowings, with an amortisation profile that matches the expected availability of funds from the Group's operating activities. In addition, the Group maintains reserve bank accounts to provide short-term liquidity against future debt service and other expenditure requirements.

Contractual relationships

The Company operates within a contractual relationship with its primary customer, Birmingham City Council. Impairment of this relationship could have an impact upon the Company and lead to a breach of contract. Consequently, to manage this risk, the Company has regular meetings with Birmingham City Council, including discussions on performance, project processes, future plans and customer requirements. In accordance with the Concession Agreement, the Company is responsible for constructing and providing services within the schools, which, if not provided, could have a detrimental impact upon the Company.

By order of the Board



R. Sheehan
Director

22nd October 2015

8 White Oak Square
London Road
Swanley, Kent
BR8 7AG

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 30 June 2015.

Financial reporting

The Company has outsourced the financial reporting function to HCP Social Infrastructure (UK) Limited ("HCP"). Authorities remain vested in the Board members of the Company. HCP reports regularly to the Board of the Company. The Board receives monthly reports from HCP which specifically summarise and address the financial, contractual and commercial risks that the Company is exposed to, and are pertinent to the industry in which the Company operates. The Board also receives monthly management accounts with explanations of variances from annual budgets and forecasts, which are in turn compared to the Financial Model, which represents the long term business plan of the Company and outlines its ability to comply with its debt obligations and covenants. Material deviations from the business plan are investigated and reported on. Supporting this process, HCP evaluates its performance under the framework of an Internal Audit and Assessment programme which sits within its own Corporate Governance framework. This process ensures that the project remains robust and viable throughout the life of the contract.

Dividends

During the year the Company paid dividends of £1,639,000 (2014: £1,413,000), see note 7 for further details.

Directors

The following persons were directors of the Company throughout the year and subsequently:

G. Birley-Smith
R. Sheehan

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; and
- 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.

Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with Section 487 (2) of the Companies Act 2006 unless the company receives notice under Section 488(1) of the Act.

Approved by the Board on 22nd October 2015 and signed on its behalf by:



R. Sheehan
Director

8 White Oak Square
London Road
Swanley
Kent

Registered number: 3859233

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 2015 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 6, 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 Financial Reporting Council'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 2015 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 matters 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.



Richard Hagley
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
22nd October 2015

Profit and Loss Account
for the year ended 30 June 2015

	<i>Note</i>	2015 £000s	2014 £000s
Turnover	1d	5,486	4,848
Cost of sales		(4,290)	(3,561)
Gross profit		1,196	1,287
Administrative expenses		(344)	(259)
Operating profit	3	852	1,028
Interest payable and similar charges	4	(2,543)	(2,637)
Interest receivable and similar income	5	3,436	3,501
Profit on ordinary activities before taxation		1,745	1,892
Taxation on profit on ordinary activities	6	(284)	(341)
Profit for the financial year	16	1,461	1,551

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 10 to 17 form part of these financial statements.

Balance Sheet
as at 30 June 2015

	<i>Note</i>	2015 £000s	2014 £000s
Current assets			
Investments	8	1,862	-
Debtors: amounts falling due within one year	9	2,133	1,791
Debtors: amounts falling due in more than one year	10	42,052	43,290
Cash at bank and in hand		4,889	7,018
		<u>50,936</u>	<u>52,099</u>
Creditors: amounts falling due within one year			
Borrowings	11	(1,454)	(1,383)
Other creditors	12	(3,457)	(3,620)
		<u>(4,911)</u>	<u>(5,003)</u>
Net current assets		<u>46,025</u>	<u>47,096</u>
Total assets less current liabilities		<u>46,025</u>	<u>47,096</u>
Creditors: amounts falling due after one year			
Borrowings	11	(35,088)	(36,542)
Other creditors	13	(7,693)	(7,132)
		<u>(42,781)</u>	<u>(43,674)</u>
Net assets		<u>3,244</u>	<u>3,422</u>
Capital and reserves			
Called up share capital	15	1,501	1,501
Profit and loss account	16	1,743	1,921
Equity shareholder's funds	17	<u>3,244</u>	<u>3,422</u>

The notes on pages 10 to 17 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 on 22nd October 2015 and signed on its behalf by: -



R. Sheehan
 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 in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies. A consolidated cash flow is presented in the accounts of Birmingham Schools Partnership (Group) Limited, including the cash flows of this Company for the year ended 30 June 2015.

2. Analysis by class of business and geographical area

The Company's sole business activity is that described in the Strategic 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:-

	2015 £000s	2014 £000s
Fees payable to the Company's auditor for:		
the audit of the financial statements	20	19
the provision of services relating to taxation	<u>8</u>	<u>5</u>
Directors' emoluments		
Directors' fees	<u>61</u>	<u>59</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 2015. 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 reapproval of the agreement from 5 October 2009.

4. Interest payable and similar charges

	2015 £000s	2014 £000s
Bank loan finance	2,396	2,496
Unsecured subordinated loan stock 2032	126	126
Amortisation of loan issue costs	21	15
	<u>2,543</u>	<u>2,637</u>

Notes (continued)

5. Interest receivable and similar income

	2015 £000s	2014 £000s
Interest receivable on contract receivable	3,039	3,113
Interest on loan to group company	376	376
Other interest receivable	21	12
	<u>3,436</u>	<u>3,501</u>

6. Taxation on profit on ordinary activities

(a) Analysis of the charge in the period

	2015 £000s	2014 £000s
<i>Current tax:</i>		
UK corporation tax on profits for the current period	284	341
Total current tax	<u>284</u>	<u>341</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences		-
Total deferred tax		<u>-</u>
Taxation on profit on ordinary activities	<u>284</u>	<u>341</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 20.8% (2014: 22.75%). The differences are explained below:

	2015 £000s	2014 £000s
Profit on ordinary activities before tax	<u>1,745</u>	<u>1,892</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 20.8% (2014: 22.75%).	363	426
<i>Effects of permanent differences:</i>		
Group relief not paid for	(79)	(85)
Current tax charge for the period	<u>284</u>	<u>341</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

	2015 £000s	2014 £000s
Amounts recognised as distributions to the equity shareholder in the year		
2014 final dividend paid of 52.5p (2013: 71.2p)	788	1,069
2015 interim dividend paid of 56.7p (2014: 22.9p)	851	344
	<u>1,639</u>	<u>1,413</u>

8. Current asset investments

	2015 £000s	2014 £000s
Short term deposits	1,862	-
	<u>1,862</u>	<u>-</u>

9. Debtors: amounts falling due within one year

	2015 £000s	2014 £000s
Contract receivable	1,000	913
Trade debtors	23	14
Accrued income	1,071	746
Prepaid unitary charge	21	21
Other debtors	18	22
	<u>2,133</u>	<u>1,791</u>

Notes (continued)

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

	2015 £000s	2014 £000s
Contract receivable	36,458	37,588
Less falling due within one year	(1,000)	(913)
Falling due after more than one year	<u>35,458</u>	<u>36,675</u>
Loan to Birmingham Schools Partnership (Group) Limited	6,260	6,260
Prepaid unitary charge	335	355
	<u>42,052</u>	<u>43,290</u>
Contract receivable comprises:		
Cost	42,929	42,929
Cumulative capital repayments	(7,473)	(6,919)
Income recognition timing differences	1,002	1,578
	<u>36,458</u>	<u>37,588</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

	2015 £000s	2014 £000s
Bank loan finance	35,627	37,025
Unsecured subordinated loan stock 2032	1,046	1,046
	<u>36,673</u>	<u>38,071</u>
Less unamortised net issue costs	(131)	(146)
	<u>36,542</u>	<u>37,925</u>
Borrowing are repayable as follows:		
Amounts falling due within one year	1,454	1,383
Amounts falling due after one year:		
Between two and five years	5,699	5,703
After five years	29,389	30,839
Total amounts falling due after more then one year	<u>35,088</u>	<u>36,542</u>
	<u>36,542</u>	<u>37,925</u>

Bank loan facility

The bank loan facility is stated net of arrangement fees totalling £0.120m (2014: £0.133m). 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 £0.012m (2014: £0.012m). 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

	2015 £000s	2014 £000s
Trade creditors	194	40
Due to Birmingham Schools Partnership (Holdings) Limited	22	73
Due to Birmingham Schools Partnership (Group) Limited	213	59
Corporation tax	143	172
VAT	211	269
Accruals	1,532	1,523
Deferred income – government grants (note 1fi)	32	32
Deferred income – lifecycle (note 1fii)	1,110	1,452
	<u>3,457</u>	<u>3,620</u>

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

	2015 £000s	2014 £000s
Deferred income – government grants (note 1fi)	516	548
Deferred income – lifecycle (note 1fii)	7,177	6,584
	<u>7,693</u>	<u>7,132</u>

14. Capital commitments

There is no capital expenditure contracted for at the year end (2014: nil)

Notes (continued)

15. Share capital

	2015 Number	2014 Number
<i>Authorised</i>		
1,501,000 ordinary shares of £1	<u>1,501,000</u>	<u>1,501,000</u>
	2015 £000s	2014 £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
At 1 July 2014	1,921
Profit for the year	1,461
Dividends paid (see note 7)	(1,639)
At 30 June 2015	<u>1,743</u>

17. Reconciliation of movement in shareholder's funds

	2015 £000s	2014 £000s
Opening shareholder's funds as at 1 July 2014	3,422	3,284
Profit for the year	1,461	1,551
Dividends paid (see note 7)	(1,639)	(1,413)
Closing shareholder's funds as at 30 June 2015	<u>3,244</u>	<u>3,422</u>

18. Ultimate Parent Undertaking and 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 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.

Notes (continued)

19. Related party transactions

Innisfree

During the year costs totalling £60,704 (2014: £59,128) in respect of management services were charged to the Company by Innisfree Limited, acting in its capacity as manager of the Innisfree M&G PPP LP. At 30 June 2015 the balance owed by the Company to Innisfree Limited amounted to £nil (2014: £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 £132,425 in respect of management services were invoiced to the Company by HCP Social Infrastructure (UK) Limited (2014: £135,427) and at 30 June 2015 the balance owed by the Company to HCP Social Infrastructure (UK) Limited amounted to £nil (2014: £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.