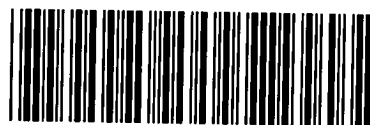


Company Registration No. 03859233 (England and Wales)

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

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BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

COMPANY INFORMATION

Directors	Mrs G Birley-Smith Mr R Sheehan Mr J Marsh
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 EC2A 1AG

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

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BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

The directors present their annual report and financial statements for the year ended 30 June 2020.

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

Mr J Marsh

(Appointed 10 March 2020)

Results and dividends

The results for the year are set out on page 6. The profit for the year after taxation amounted to £2,944,000 (2019: £2,700,000).

The Directors paid interim dividends totalling £1,968,000 in respect of the year ended 30 June 2020 (2019: £1,899,000).

Auditor

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

Brexit

The risks from Brexit are a result of the risk it poses to the service providers, rather than the company itself. Therefore, this is linked to the service performance and service provider failure risks. The company is substantively insulated from these risks because non performance will result in deductions being passed down to the service providers. However, there remains a risk that in extreme circumstances non-performance may result in the Council having the right to terminate the Project Agreement, however performance levers are significantly below threshold levels at which point the Council would be in that position.

The service providers have performed a review of their respective exposure to Brexit. The relevant concerns relate to availability of materials and EU labour, with primary concerns revolving around delays in delivery and increased transportation costs of those suppliers which come from the EU. While there will likely be some disruption, each service provider has a strategy in place to keep this to a minimum. This will result in higher costs to the service providers but not impact the company itself. The directors are comfortable that the increased costs and disruption will not threaten the service providers to such an extent as to put the project at risk.

Going concern

The accounts have been prepared on a going concern basis. Further detail regarding going concern is provided in note 1.3 on page 10.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

COVID-19 risk

The Company is exposed to the COVID-19 risk as a result of the inherent uncertainty around the impact of the pandemic on UK society and economy. Whilst the Company itself is not considered to be significantly exposed, subcontractors which it engages with are considered to have exposure in relation to labour and the ability to continue to perform required services. The Company is aware of the Government guidance for public bodies on payment to suppliers to ensure service continuity during and after the coronavirus outbreak, which provides additional assurance. Nevertheless, performance risk under the Project Agreement and related contracts are passed on to the service providers and to the building contractor. The obligations of these subcontractors are underwritten either by performance guarantees issued by banks or by parent company guarantees. Due to the evolving nature of the risk, the Board continue to actively monitor developments.

This report has been prepared in accordance with the provisions in section 415A of the Companies Act applicable to companies entitled to the small companies exemption.

On behalf of the board



Mr R Sheehan
Director
9 October 2020

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2020

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, 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 and 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.

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.

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

9 October 2020

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 (Group) Limited (the 'Company') for the year ended 30 June 2020 which comprise the Profit and Loss account, Balance Sheet, 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 2020 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

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.

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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 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 3, 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.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 3, 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.

Use of our report

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

Grant Thornton UK LLP

Elizabeth Collins

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

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9/10/2020

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED**STATEMENT OF TOTAL COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	2020 £'000	2019 £'000
Turnover		6,456	6,850
Operating costs		(3,821)	(4,520)
Operating profit	3	2,635	2,330
Interest receivable and similar income	6	2,981	3,068
Interest payable and similar expenses	7	(2,069)	(2,161)
Profit on ordinary activities before taxation		3,547	3,237
Taxation	8	(603)	(537)
Profit for the financial year		2,944	2,700
Other comprehensive income			
Effective portion of fair value change in cash flow hedge arising in the year		77	391
Tax relating to other comprehensive income	8	143	(66)
Other comprehensive income for the year		220	325
Total comprehensive profit for the year		3,164	3,025

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

The accompanying notes on pages 10 - 22 form part of these financial statements.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED**BALANCE SHEET****AS AT 30 JUNE 2020**

	Notes	2020 £'000	2019 £'000
Current assets			
Debtors falling due after more than one year	10	29,544	31,050
Debtors falling due within one year	10	2,202	1,923
Cash at bank and in hand		8,797	8,258
		<u>40,543</u>	<u>41,231</u>
Creditors: amounts falling due within one year	12	<u>(3,834)</u>	<u>(4,002)</u>
Net current assets		36,709	37,229
Creditors: amounts falling due after more than one year	13	(35,963)	(37,679)
Net assets/(liabilities)		<u>746</u>	<u>(450)</u>
Capital and reserves			
Called up share capital	15	1,501	1,501
Hedging reserve		(6,332)	(6,552)
Profit and loss reserves		5,577	4,601
Total equity		<u>746</u>	<u>(450)</u>

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

The financial statements were approved by the board of directors and authorised for issue on 9 October 2020 and are signed on its behalf by:



Mr R Sheehan
Director

Company Registration No. 03859233

The accompanying notes on pages 10 - 22 form part of these financial statements.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Share capital	Hedging reserve	Profit and loss reserves	Total
Notes	£'000	£'000	£'000	£'000
Balance at 1 July 2018	1,501	(6,877)	3,800	(1,576)
Year ended 30 June 2019:				
Profit for the year	-	-	2,700	2,700
Other comprehensive income:				
Cash flow hedges gains	-	391	-	391
Tax relating to other comprehensive income	-	(66)	-	(66)
Total comprehensive income for the year	-	325	2,700	3,025
Dividends	-	-	(1,899)	(1,899)
Balance at 30 June 2019	1,501	(6,552)	4,601	(450)
Year ended 30 June 2020:				
Profit for the year	-	-	2,944	2,944
Other comprehensive income:				
Cash flow hedges gains	-	77	-	77
Tax relating to other comprehensive income	-	143	-	143
Total comprehensive income for the year	-	220	2,944	3,164
Dividends Paid	-	-	(1,968)	(1,968)
Balance at 30 June 2020	1,501	(6,332)	5,577	746

The accompanying notes on pages 10 - 22 form part of these financial statements.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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 Section 1A of 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 Amendments to FRS102: Interest rate reform

The Company's hedged items and hedging instruments continue to be linked to Sterling LIBOR. The company has early adopted the transitional provisions set out in the amendments to FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Interest Rate Benchmark Reform, issued in December 2019, to those hedging relationships directly affected by IBOR reform. In accordance with these amendments, for the purpose of evaluating whether there is an economic relationship between the hedged items and the hedging instruments, the company assumes that the benchmark interest rate is not altered as a result of IBOR reform and can continue to apply hedge accounting throughout the transition period.

1.3 Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts covering a period of at least 18 months from year end of these financial statements which indicate that the Company will have sufficient funds to meet its liabilities as they fall due for that period. Those forecasts are dependent on the underlying customer continuing to meet its obligations under the Project Agreement which are underwritten by the Department for Education.

In making this assessment the Directors have considered the potential impact of the emergence and spread of COVID-19, which includes the Company's operating cash inflows which are largely dependent on the unitary charge payments receivable from Birmingham City Council. Throughout the pandemic and to date, all unitary charge payments have been received on time and in full and the Directors expect this to continue.

The Company continues to provide the asset in accordance with the contract and is available to be used. As a result, the Company does not believe there is any likelihood of a material impact to the unitary payment.

The Directors have assessed the viability of its main sub-contractors and reviewed the contingency plans of the sub-contractors and are satisfied in their ability to provide the services in line with the contract without significant additional costs to the Company, even in downside scenarios, due to the underlying contractual terms. To date, there has been no adverse impact on the services provided by the Company or its sub-contractors arising from COVID-19. However, in the unlikely event of a subcontractor failure, the Company has its own business continuity plans to ensure that service provision will continue.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

(Continued)

Going concern (continued)

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.4 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.

1.5 Cash and cash equivalents

Cash at bank and in hand 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.

1.6 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.

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.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

(Continued)

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.

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.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

(Continued)

1.7 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction 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.

1.8 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.

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.

The Company has entered into variable to fixed rate interest swaps to manage its exposure to interest rate cash flow risk on its variable debt. These derivatives are measured at fair value at each reporting date. To the extent the hedge is effective, movements in the fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in profit and loss for the period. See note 13 for the balances at the reporting date.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

1 Accounting policies

(Continued)

1.9 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.

1.10 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.

1.11 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.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

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. The directors exercise judgement in their consideration of whether the criteria for hedge accounting are met.

The Fair Value of the swaps recorded in the accounts are based on Mark to Market estimates provided by Lloyds Bank plc. It is expected that changes to the hedging instrument and the loan will be materially consistent and limited to the transition from LIBOR to the new benchmark, as both the loan and the swap will be transitioned to the new benchmark at similar times in a broadly matching fashion.

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.

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

	2020	2019
	£'000	£'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	12
For the audit of group company's financial statements	5	5
For non-audit services (tax compliance)	6	6
	<u> </u>	<u> </u>

4 Employees

The company had no employees during the year (2019: nil).

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

5 Directors' remuneration

	2020 £'000	2019 £'000
Sums paid to related parties for directors' services	70	69

The Directors received no salary in the performance of their duties during the current or preceding year. Director's fees of £70,000 (2019: £69,000) 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

	2020 £'000	2019 £'000
Interest income		
Interest on bank deposits	18	-
Interest receivable from group companies	376	376
Interest on finance debtor	2,587	2,692
Total income	2,981	3,068

7 Interest payable and similar expenses

	2020 £'000	2019 £'000
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	1,910	2,001
Interest on subordinated loans	147	147
Amortisation of finance arrangement costs	12	13
	2,069	2,161

8 Taxation

	2020 £'000	2019 £'000
Current tax		
UK corporation tax on profits for the current period	603	537

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

8 Taxation

(Continued)

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:

	2020 £'000	2019 £'000
Profit before taxation	3,547	3,237
Expected tax charge based on a corporation tax of 19.00% (2019: 19.00%)	674	615
Group relief	(71)	(72)
Adjustment in respect of prior years	-	(6)
Tax expense for the year	603	537

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:

	2020 £'000	2019 £'000
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	(143)	66

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. The UK deferred tax asset as at 31 March 2020 has therefore been calculated based on this rate.

9 Financial instruments

	2020 £'000	2019 £'000
Carrying amount of financial assets		
Debt instruments measured at amortised cost	38,000	38,837
Carrying amount of financial liabilities		
Measured at fair value	(7,817)	(7,894)
Measured at amortised cost	(31,384)	(33,180)
	(39,201)	(41,074)

Financial assets measured at amortised cost comprise of trade debtors, other debtors and financial assets in respect of infrastructure assets.

Financial liabilities measured at amortised cost comprise of bank loans, trade creditors, group loans, accruals and other creditors.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

(Continued)

9 Financial instruments

Derivative financial instruments designated as hedges of variable interest rate risk comprise an interest rate swap. The fair value of the interest rate swap has been determined by reference to prices available from the markets on which the instruments involved are traded.

10 Debtors

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade debtors	21	13
Finance debtor	1,101	782
Other debtors	1,080	1,128
	<u>2,202</u>	<u>1,923</u>
Amounts falling due after more than one year:		
Amounts due from group undertakings	6,260	6,260
Finance debtor	21,569	23,197
Other debtors	230	251
	<u>28,059</u>	<u>29,708</u>
Deferred tax asset	1,485	1,342
	<u>29,544</u>	<u>31,050</u>
Total debtors	<u>31,746</u>	<u>32,973</u>

The Finance debtor incurs an amortisation charge over the life of the project.

11 Loans and overdrafts

	2020 £'000	2019 £'000
Bank loans	28,371	29,802
Other loans	1,038	1,037
	<u>29,409</u>	<u>30,839</u>
Payable within 1 year	1,619	1,442
Payable within 1 - 2 years	1,757	1,619
Payable within 2 - 5 years	7,287	6,291
Payable after more than 5 years	18,746	21,487
	<u></u>	<u></u>

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

11 Loans and overdrafts

(Continued)

Bank loan facility

The bank loan facility is stated net of arrangement fees totalling £59,000 (2019: £70,000). 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 other loans consist of unsecured subordinated stock. The unsecured subordinated loan stock 2032 is stated net of arrangement fees totalling £8,000 (2019: £9,000). 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

	2020 £'000	2019 £'000
Bank loans and overdrafts	1,619	1,442
Trade creditors	293	384
Amounts owed to group undertakings	272	272
Corporation tax	307	267
Other taxation and social security	289	340
Other creditors	1,054	1,297
	<u>3,834</u>	<u>4,002</u>

Amounts owed to group undertakings are interest free and repayable on demand.

13 Creditors: amounts falling due after more than one year

	2020 £'000	2019 £'000
Loans and overdrafts	27,790	29,397
Accruals and deferred income	356	388
Derivative financial instruments	7,817	7,894
	<u>35,963</u>	<u>37,679</u>

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

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 2020 £'000	Assets 2019 £'000
Balances:		
Derivative financial instruments	1,485	1,342
	<u>1,485</u>	<u>1,342</u>
Movements in the year:		2020 £'000
Asset at 1 July 2019		1,342
Effect of change in fair value of derivative		(13)
Effect of change in tax rate		156
		<u>1,485</u>
Asset at 30 June 2020		<u>1,485</u>

There were no deferred tax movements in the year.

15 Share capital

	2020 £'000	2019 £'000
Ordinary share capital		
Issued and fully paid		
1,501,000 Ordinary shares of £1 each	1,501	1,501
	<u>1,501</u>	<u>1,501</u>

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2020

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 £186,000 (2019: £184,000) in respect of project management and other associated services to HCP Social Infrastructure (UK) Limited. As at 30 June 2020, £nil (2019: £3,000) due to HCP Social Infrastructure (UK) Limited remains outstanding and is included in Creditors.

During the year ended 30 June 2020, the company incurred £70,000 (2019: £69,000) in respect of directors' services from Innisfree Limited. As at 30 June 2020 £nil (2019: £2,000) 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.