

Company Registration No. 03859233



BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022



BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

COMPANY INFORMATION

Directors	Mrs G Birley-Smith Mr R Sheehan
Secretary	Vercity Social Infrastructure (UK) Ltd
Company number	03859233
Registered office	8 White Oak Square London Road Swanley Kent BR8 7AG
Auditor	Johnston Carmichael LLP Chartered Accountants & Business Advisers 7-11 Melville Street Edinburgh EH3 7PE
Bankers	Lloyds Bank 25 Gresham Street London EC2V 7HN

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

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BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2022

The directors present their annual report and financial statements for the year ended 30 June 2022.

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 7. The profit for the year after taxation amounted to £2,765,000 (2021: £2,279,000).

The Directors paid interim dividends totalling £943,000 in respect of the year ended 30 June 2022 (2021: £3,364,000). The directors do not recommend payment of a final dividend.

Auditor

The auditor, Johnston Carmichael, was appointed during the year and will be proposed for re-appointment under section 485 of the Companies Act 2006.

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.

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.

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.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

Small company provisions

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

28 October 2022

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2022

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;
- 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.

On behalf of the board



Mr R Sheehan

Director

28 October 2022

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

Opinion

We have audited the financial statements of Birmingham Schools Partnership Limited (the 'company') for the year ended 30 June 2022 which comprise of the Statement of Total Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including 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'.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2022 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions 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 requirement.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

Matters on which we are required to report by exception

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.

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

Extent to which the audit was considered capable of detecting irregularities and fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- United Kingdom Accounting Standards, including Financial Reporting Standard FRS 102;
- UK Companies Act; and
- UK Corporation taxes legislation.

We gained an understanding of how the company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of any relevant correspondence with regulatory bodies and board meeting minutes.

We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

Extent to which the audit was considered capable of detecting irregularities and fraud (Continued)

the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk.

The following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:


- Reviewing minutes of meetings of those charged with governance for reference to: breaches of laws and regulation or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- Reviewing the level of and reasoning behind the company's procurement of legal and professional services;
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias; and
- Agreement of the financial statement disclosures to supporting documentation.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. 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.


Irvine Spowart (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP
Chartered Accountants
Statutory Auditor

28 October 2022

7-11 Melville Street
Edinburgh
EH3 7PE

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

STATEMENT OF TOTAL COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 £'000	2021 £'000
Turnover		7,318	7,315
Operating costs		(4,889)	(5,472)
Operating profit	3	2,429	1,843
Interest receivable and similar income	6	2,722	2,831
Interest payable and similar expenses	7	(1,825)	(1,949)
Profit on ordinary activities before taxation		3,326	2,725
Taxation	8	(561)	(446)
Profit for the financial year		2,765	2,279
Other comprehensive income			
Effective portion of fair value change in cash flow hedge arising in the year		4,151	2,121
Tax relating to other comprehensive income	8	(1,038)	(61)
Other comprehensive income for the year		3,113	2,060
Total comprehensive profit for the year		5,878	4,339

The statement of total comprehensive income has been prepared on the basis that all operations are continuing operations.

The accompanying notes on pages 10 - 20 form part of these financial statements.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

		2022		2021	
	Notes	£'000	£'000	£'000	£'000
Current assets					
Debtors falling due after more than one year	10	26,623		29,038	
Debtors falling due within one year	10	2,087		1,879	
Cash at bank and in hand		7,857		6,759	
		<u>36,567</u>		<u>37,676</u>	
Creditors: amounts falling due within one year	11	<u>(4,177)</u>		<u>(3,892)</u>	
Net current assets			32,390		33,784
Creditors: amounts falling due after more than one year	12		(25,734)		(32,063)
Net assets			<u>6,656</u>		<u>1,721</u>
Capital and reserves					
Called up share capital	15		1,501		1,501
Hedging reserve			(1,159)		(4,272)
Profit and loss reserves			6,314		4,492
Total equity			<u>6,656</u>		<u>1,721</u>

These financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

The financial statements were approved by the board of directors and authorised for issue on 28 October 2022 and are signed on its behalf by:



Mr R Sheehan
Director

Company Registration No. 03859233

The accompanying notes on pages 10 - 20 form part of these financial statements.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

	Share capital	Hedging reserve	Profit and loss reserves	Total
Notes	£'000	£'000	£'000	£'000
Balance at 1 July 2020	1,501	(6,332)	5,577	746
Year ended 30 June 2021:				
Profit for the year	-	-	2,279	2,279
Other comprehensive income:				
Cash flow hedges gains	-	2,121	-	2,121
Tax relating to other comprehensive income	-	(61)	-	(61)
Total comprehensive income for the year	-	2,060	2,279	4,339
Dividends paid	-	-	(3,364)	(3,364)
Balance at 30 June 2021	1,501	(4,272)	4,492	1,721
Year ended 30 June 2022:				
Profit for the year	-	-	2,765	2,765
Other comprehensive income:				
Cash flow hedges gains	-	4,151	-	4,151
Tax relating to other comprehensive income	-	(1,038)	-	(1,038)
Total comprehensive income for the year	-	3,113	2,765	5,878
Dividends paid	-	-	(943)	(943)
Balance at 30 June 2022	1,501	(1,159)	6,314	6,656

The accompanying notes on pages 10 - 20 form part of these financial statements.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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 small 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.

1.2 Amendments to FRS102: Interest rate reform

On 3 May 2022 the Company transitioned its hedged items and hedging instruments to be linked to Sterling Sonia plus a credit adjustment spread, effective from 1 July 2022. The Company had 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 LIBOR reform. In accordance with these amendments, for the purpose of evaluating whether there is an economic relationship between the hedged items and the hedging items, the benchmark interest rate is not altered as a result of LIBOR reform and the Company can continue to apply hedge effectiveness.

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 2022

1 Accounting policies

(Continued)

1.3 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 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.

1.6 Restricted cash

The company is obligated to keep separate cash reserves in respect of the requirements in the company's funding agreements. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £4,616,000 at the year end (2021: £4,747,000)

1.7 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an 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.

The Company uses interest rate swaps to adjust interest rate exposures. Interest rate swaps are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through the statement of comprehensive income. Interest rate swaps are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of interest rate swap contracts are determined by calculating the present value of the estimated future cash flows based on observable yield curves.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

1 Accounting policies

(Continued)

1.8 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.

1.9 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.

The company does not hold or issue derivative financial instruments for speculative purposes.

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 2022

1 Accounting policies

(Continued)

1.9 Derivatives (continued)

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.10 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 statement of comprehensive income 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 statement of comprehensive income, 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.

1.11 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.

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.

1.12 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 2022

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

	2022	2021
	£'000	£'000
Operating profit for the year is stated after charging:		
Fees payable to the company's auditor:		
Audit fees payable to Johnston Carmichael LLP (2021: Grant Thornton)	15	21

4 Employees

The company had no employees, other than directors, during the year (2021: nil).

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

5 Directors' remuneration

	2022 £'000	2021 £'000
Sums paid to related parties for directors' services	84	71

The Directors received no salary in the performance of their duties during the current or preceding year. Director's fees of £84,000 (2021: £71,000) 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

	2022 £'000	2021 £'000
Interest income		
Interest on bank deposits	-	1
Interest receivable from group companies	375	376
Interest on finance debtor	2,347	2,454
Total income	2,722	2,831

7 Interest payable and similar expenses

	2022 £'000	2021 £'000
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	1,668	1,791
Interest on subordinated loans	147	147
Amortisation of finance arrangement costs	10	11
	1,825	1,949

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

8 Taxation

	2022 £'000	2021 £'000
Current tax		
UK corporation tax on profits for the current period	561	446

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:

	2022 £'000	2021 £'000
Profit before taxation	3,326	2,725
Expected tax charge based on a corporation tax of 19.00% (2021: 19.00%)	632	517
Group relief	(71)	(71)
Tax expense for the year	561	446

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:

	2022 £'000	2021 £'000
Deferred tax arising on:		
Change in tax rate	-	(469)
Revaluation of financial instruments treated as cash flow hedges	1,038	530
	1,038	61

On 11 March 2021 the UK government published the Finance Bill 2021 in which it confirmed that the main rate of UK Corporation Tax would remain at 19% for periods starting 1 April 2021, rising to 25% on profits over £250,000 from 1 April 2023. The Bill was enacted in June 2021, therefore the deferred tax asset as at 30 June 2022 has been calculated using the future tax rate of 25%.

9 Financial instruments

	2022 £'000	2021 £'000
Carrying amount of financial liabilities		
Measured at fair value through other comprehensive income	(1,546)	(5,696)

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 instruments involved are traded.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

10 Debtors

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Trade debtors	36	4
Finance debtor	909	785
Other debtors	1,142	1,090
	<u>2,087</u>	<u>1,879</u>
Amounts falling due after more than one year:		
Amounts due from group undertakings	6,260	6,260
Finance debtor	19,791	21,145
Other debtors	186	209
	<u>26,237</u>	<u>27,614</u>
Deferred tax asset	386	1,424
	<u>26,623</u>	<u>29,038</u>
Total debtors	<u>28,710</u>	<u>30,917</u>

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

Amounts due from group undertakings is unsecured and subject to 6% interest per annum. Assurance has been provided to Birmingham Schools Project (Group) Limited that amounts due will not be requested within twelve months of the balance sheet date.

11 Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Bank and other loans	2,156	1,757
Trade creditors	141	135
Amounts owed to group undertakings	272	272
Corporation tax	291	217
VAT payable	169	273
Other creditors	1,148	1,238
	<u>4,177</u>	<u>3,892</u>

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

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

12 Creditors: amounts falling due after more than one year

	2022 £'000	2021 £'000
Bank and other loans	23,897	26,044
Accruals and deferred income	291	323
Derivative financial instruments	1,546	5,696
	<u>25,734</u>	<u>32,063</u>

13 Bank and other loans

	2022 £'000	2021 £'000
Bank loans	25,014	26,763
Other loans	1,039	1,039
	<u>26,053</u>	<u>27,802</u>
Payable within 1 year	2,156	1,757
Payable within 1 - 2 years	2,378	2,156
Payable within 2 - 5 years	8,902	8,111
Payable after more than 5 years	<u>12,619</u>	<u>15,778</u>

Bank loan facility

The bank loan facility is stated net of arrangement fees totalling £39,000 (2021: £49,000). 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 £7,000 (2021: £7,000). 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.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

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 2022 £'000	Assets 2021 £'000
Balances:		
Derivative financial instruments	386	1,424
Movements in the year:		2022 £'000
Asset at 1 July 2021		1,424
Effect of change in fair value of derivative		(1,038)
Asset at 30 June 2022		386

There were no deferred tax movements in the year.

15 Share capital

	2022 £'000	2021 £'000
Ordinary share capital Issued and fully paid		
1,501,000 Ordinary shares of £1 each	1,501	1,501

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

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 Vercity Social Infrastructure (UK) Limited. Vercity Holdings Limited, the parent company of Vercity 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 £194,000 (2021: £190,000) in respect of project management and other associated services to Vercity Social Infrastructure (UK) Limited. As at 30 June 2022, £1,000 (2021: £1,000) due to Vercity Social Infrastructure (UK) Limited remains outstanding and is included in Creditors.

During the year ended 30 June 2022, the company incurred £121,000 (2021: £35,000) in respect of directors' services from Innisfree Limited. As at 30 June 2022 £nil (2021: £nil) 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.