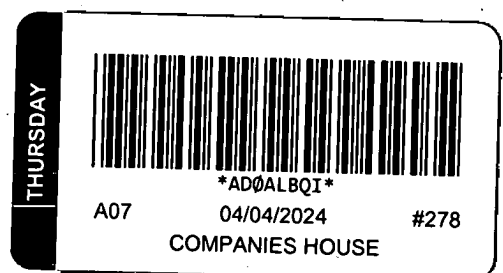


Company Registration No. 03859233

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023



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	BDO LLP 55 Baker Street London W1U 7EU
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 2023

The directors present their annual report and financial statements for the year ended 30 June 2023.

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 8. The profit for the year after taxation amounted to £3,493,000 (2022: £2,765,000).

The Directors paid interim dividends totalling £2,180,000 in respect of the year ended 30 June 2023 (2022: £943,000). The directors do not recommend payment of a final dividend (2022: £nil).

Auditor

BDO LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements. Further details regarding the adoption of the going concern basis can be found in the accounting policies in the notes to the financial statements.

Qualifying third party indemnity provisions

Qualifying third party indemnity provisions for the benefit of the directors of the company have been made during the year. These provisions remain in force at the reporting date.

Financial risk management objectives and policies

Liquidity risk

The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business. At the start of the PFI contract, the company negotiated debt facilities with an external party to ensure that the company has sufficient funds over the life of the PFI concession.

Interest rate risk

The company's borrowings expose it to cash flow risk primarily due to the financial risks of changes in interest rates. The company uses interest rate swaps to manage the risk and reduce its exposure to changes in interest rates.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

Credit risk

The company's principal financial assets are cash, finance debtor and trade and other receivables. The company's credit risk is primarily attributable to its trade receivables which are with one counterparty, although in the opinion of the board of directors this risk is limited as the receivables are with a local government authority.

Lifecycle risk

Lifecycle expenditure is the main risk to the business. The risk being that the allowance for lifecycle costs factored into the financial model is insufficient to cover future lifecycle expenditure, thus resulting in lower profitability and reduced distributions. This is mitigated by regular lifecycle reviews undertaken by the management services provider and a detailed lifecycle review performed every five years.

Future developments

The directors are not aware, at the date of this report, of any major changes in the company's activities in the next year.

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.

The Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption within part 15 of the companies Act 2006.

On behalf of the board



Mr R Sheehan
Director
28 March 2024

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2023

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2023 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.

We have audited the financial statements of Birmingham Schools Partnership Limited ("the Company") for the year ended 30 June 2023 which comprise Statement of Total Comprehensive Income, Statement of Financial Position, 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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 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.

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.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

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

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

Responsibilities of Directors

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 capable of detecting irregularities, including 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 extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on our understanding of the Company and the industry in which it operates; discussion with management and those charged with governance and obtaining and understanding of the Company's policies and procedures.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

regarding compliance with laws and regulations, we considered the significant laws and regulations to be the Companies Act 2006, Corporate and VAT legislation.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be corporate and VAT legislation.

Our procedures in respect of the above included:

- Review of VAT and corporation returns for any instances of non-compliance with laws and regulations;
- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations; and
- Making enquiries of Management, those charged with governance and those responsible for legal and compliance procedures as to whether there was any correspondence from relevant regulators in so far as the correspondence related to financial statements.

Irregularities including fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud; and
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management bias in accounting estimates and posting inappropriate journal entries to manipulate the fair value of the Company's assets.

Our procedures in respect of the above included:

- Challenging assumptions and judgements made by management in areas involving significant estimates, with the key sources of estimation identified as the determination of service margins and lifecycle costs; and
- We tested journal entries based on identified characteristics the audit team considered could be indicative of fraud, as well as unusual transactions based upon our knowledge of the business by agreeing to supporting documentation.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)


TO THE MEMBERS OF BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

Our audit procedures were designed to respond to risks of material misstatement 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 deliberate concealment by, for example, forgery, misrepresentations or through collusion. 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/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.

DocuSigned by:

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Cassie Forman-Kotsapa (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
28 March 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

STATEMENT OF TOTAL COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 £'000	2022 £'000
Turnover	3	7,825	7,318
Operating costs		(4,976)	(4,889)
Operating profit	4	2,849	2,429
Interest receivable and similar income	7	2,710	2,722
Interest payable and similar expenses	8	(1,262)	(1,825)
Profit on ordinary activities before taxation		4,297	3,326
Taxation	9	(804)	(561)
Profit for the financial year		3,493	2,765
Other comprehensive income			
Effective portion of fair value change in cash flow hedge arising in the year		2,264	4,151
Tax relating to other comprehensive income	9	(566)	(1,038)
Other comprehensive income for the year		1,698	3,113
Total comprehensive income for the year		5,191	5,878

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

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

		2023		2022	
	Notes	£'000	£'000	£'000	£'000
Current assets					
Debtors falling due after more than one year	11	24,906		26,623	
Debtors falling due within one year	11	2,564		2,087	
Cash at bank and in hand		8,476		7,857	
		35,946		36,567	
Creditors: amounts falling due within one year	12	(4,310)		(4,177)	
Net current assets			31,636		32,390
Creditors: amounts falling due after more than one year	13		(21,969)		(25,734)
Net assets			9,667		6,656
Capital and reserves					
Called up share capital	16		1,501		1,501
Hedging reserve			539		(1,159)
Profit and loss reserves			7,627		6,314
Total equity			9,667		6,656

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 March 2024 and are signed on its behalf by:


Mr R Sheehan
Director

Company Registration No. 03859233

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

		Share capital	Hedging reserve	Profit and loss reserves	Total
	Notes	£'000	£'000	£'000	£'000
Balance at 1 July 2021		<u>1,501</u>	<u>(4,272)</u>	<u>4,492</u>	<u>1,721</u>
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)
		<u>-</u>	<u>3,113</u>	<u>2,765</u>	<u>5,878</u>
Total comprehensive income for the year		-	3,113	2,765	5,878
Dividends	10	-	-	(943)	(943)
		<u>-</u>	<u>-</u>	<u>(943)</u>	<u>(943)</u>
Balance at 30 June 2022		<u>1,501</u>	<u>(1,159)</u>	<u>6,314</u>	<u>6,656</u>
Year ended 30 June 2023:					
Profit for the year		-	-	3,493	3,493
Other comprehensive income:					
Cash flow hedges gains		-	2,264	-	2,264
Tax relating to other comprehensive income		-	(566)	-	(566)
		<u>-</u>	<u>1,698</u>	<u>3,493</u>	<u>5,191</u>
Total comprehensive income for the year		-	1,698	3,493	5,191
Dividends	10	-	-	(2,180)	(2,180)
		<u>-</u>	<u>-</u>	<u>(2,180)</u>	<u>(2,180)</u>
Balance at 30 June 2023		<u>1,501</u>	<u>539</u>	<u>7,627</u>	<u>9,667</u>

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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 12 months from the date of approval of the 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 and the directors expect these amounts to be received even in severe but plausible downside scenarios. The company continues to provide the assets in accordance with the contract and are 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 considered the potential impact of the current economic climate, which includes the company's operating cash inflows which are largely dependent on the unitary charge payments. Throughout the current economic climate, all unitary charge payments have been received on time and in full and the directors expect this to continue.

On 5 September 2023 Birmingham City Council issued a section 114 Notice as part of their plan to meet the Council's financial liabilities relating to Equal Pay claims and an in-year financial gap within its budget. In the report under section 114(3) of the Local Government Act, this confirmed that the Council has insufficient resources to meet the equal pay expenditure and currently does not have any other means of meeting this liability. The notice means all new spending, with the exception of protecting vulnerable people and statutory services, must stop immediately. On 19 September 2023, the Secretary of State for the Department of Levelling Up, Housing and Communities (DLUHC) announced the government's proposals to handle the Council's financial and governance problems.

Direct correspondence from Birmingham City Council has been received to confirm the Unitary Charge invoice will continue to be paid, as it has been since the section 114 notice was issued. Payment obligations under the Project Agreement are also underwritten by the Secretary of State for Education, therefore it is expected that payments will continue to be received and the board consider the risk of any impact on future Unitary Charge payments to be very low.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

1 Accounting policies

(Continued)

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. However, in the unlikely event of a subcontractor failure, the company has its own business continuity plans to ensure that service provision will continue.

Consequently, the directors at the time of approving the financial statements have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

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.

Pass through income represents the direct pass through of recoverable costs, as specified in the Project Agreement.

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 statement of financial position within the "cash at bank and in hand" balance, amounts to £5,017,000 at the year end (2022: £4,616,000)

1.7 Financial instruments

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

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

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include 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. Financial assets classified as receivable within one year are not amortised.

Loans and Receivables

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 2023

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit or loss, 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. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

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 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 creditors, bank loans and loans from fellow group companies, 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts 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 creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

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.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

1 Accounting policies

(Continued)

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.

1.10 Hedge accounting

The company designates certain hedging instruments, including derivatives, embedded derivatives and non-derivatives, as either fair value hedges or cash flow hedges. At the inception of the hedge relationship, the company documents the relationship between the hedging instrument and the hedged item along with risk management objectives and strategy for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, the company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

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.

For derivatives that are designated and qualify as cash flow hedges, the effective portion of changes in the fair value of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Any gain or loss previously recognised in other comprehensive income is reclassified to profit or loss when the hedge relationship ends. This occurs when the hedging instrument expires or no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised, or the hedging instrument is terminated.

1.11 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.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

1 Accounting policies

(Continued)

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.

1.12 Service Concession Accounting

The company is an operator of a Private Finance Initiative ("PFI") contract. As the company entered into the contract prior to the date of transition to FRS102, the company has taken advantage of the exemption in section 35.10 (i) of FRS102 which permit it to continue to account for the service concession arrangements under the accounting policies adopted under old UK GAAP. In particular, the underlying asset is not deemed to be an asset of the company under old UK GAAP, because the risks and rewards of ownership as set out in that standard are deemed to lie principally with the Authority.

During the construction phase of the project, all attributable expenditure in accordance with FRS 102 section 23 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.

1.13 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 2023

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.

Key sources of estimation uncertainty

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

Valuation of derivative financial instruments

The directors use their judgement in selecting a suitable valuation technique for derivative financial instruments. All derivative financial instruments are valued at the mark to market valuation provided by the derivative counterparty. In these cases, the company uses valuation techniques to assess the reasonableness of the valuation provided by the derivative counterparty. These techniques use a discounted cash flow analysis based on market observable inputs derived from similar instruments in similar and active markets. The fair value of derivative financial instruments at the reporting date was an asset of £718,000 (2022: £1,546,000 liability). The directors do not consider the impact of own credit risk to be material.

Service concession arrangement

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

Lifecycle costs are a significant proportion of future expenditure. Given the length of the Company's service concession contract, the forecast of lifecycle costs is subject to significant estimation uncertainty and changes in the amount and timing of expenditure could have material impacts. As a result, there is a significant level of judgement applied in estimating future lifecycle costs. To reduce the risk of misstatement, future estimates of lifecycle expenditure are prepared by maintenance experts on an asset by asset basis and periodic technical evaluations of the physical condition of the facilities are undertaken.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

3 Turnover

An analysis of the company's turnover is as follows:

	2023 £'000	2022 £'000
Turnover		
Service fee income	7,650	7,205
Passthrough income	175	113
	<u>7,825</u>	<u>7,318</u>

Turnover analysed by geographical market

	2023 £'000	2022 £'000
United Kingdom	<u>7,825</u>	<u>7,318</u>

4 Auditor's remuneration

Fees payable to the company's auditor and associates:

For audit services

	2023 £'000	2022 £'000
Audit of the financial statements of the group and company	<u>33</u>	<u>15</u>

The audit fee above includes an estimated fee of £2,000 attributable for the audit provision of Birmingham Schools Partnership (Holdings) Limited and £2,000 for the audit provision of Birmingham Schools Partnership (Group) Limited.

5 Employees

The company had no employees, other than directors, during the year (2022: nil).

6 Directors' remuneration

No directors received any remuneration for services to the company during the year (2022: £nil).

7 Interest receivable and similar income

	2023 £'000	2022 £'000
Interest income		
Interest on bank deposits	155	-
Interest receivable from group companies	376	375
Interest on finance debtor	<u>2,179</u>	<u>2,347</u>
Total income	<u>2,710</u>	<u>2,722</u>

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

8 Interest payable and similar expenses

	2023 £'000	2022 £'000
Interest on financial liabilities measured at amortised cost:		
Interest on bank loans	1,105	1,668
Interest on subordinated loans	126	147
Amortisation of finance arrangement costs	31	10
	<u>1,262</u>	<u>1,825</u>

9 Taxation

	2023 £'000	2022 £'000
Current tax		
UK corporation tax on profits for the current period	<u>804</u>	<u>561</u>

For the year ended 30 June 2023, the UK Corporation tax rate of 20.5% is applied.

The Finance Act 2021 was substantially enacted in May 2021 and has increased the corporation tax rate from 19% to 25% with effect from 1 April 2023. The deferred taxation balances have been measured using the rate of 25% which is the rate expected to apply in the reporting periods when the timing differences reverse.

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:

	2023 £'000	2022 £'000
Profit before taxation	<u>4,297</u>	<u>3,326</u>
Expected tax charge based on a corporation tax of 20.5% (2022: 19.00%)	881	632
Group relief	<u>(77)</u>	<u>(71)</u>
Tax expense for the year	<u>804</u>	<u>561</u>

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:

	2023 £'000	2022 £'000
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	<u>566</u>	<u>1,038</u>

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

10 Dividends

	2023 Per share £	2022 Per share £	2023 Total £'000	2022 Total £'000
Interim paid	1.45	0.63	2,180	943

11 Debtors

	2023 £'000	2022 £'000
Amounts falling due within one year:		
Trade debtors	46	36
Finance debtor	1,229	909
Other debtors	1,195	1,142
Derivative financial instruments	94	-
	<u>2,564</u>	<u>2,087</u>
Amounts falling due after more than one year:		
Amounts due from group undertakings	6,260	6,260
Finance debtor	17,855	19,791
Other debtors	167	186
Derivative financial instruments	624	-
Deferred tax asset	-	386
	<u>24,906</u>	<u>26,623</u>
Total debtors	<u>27,470</u>	<u>28,710</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 reporting date.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

12 Creditors: amounts falling due within one year

	2023 £'000	2022 £'000
Bank and other loans	2,378	2,156
Trade creditors	112	141
Amounts owed to group undertakings	272	272
Corporation tax	437	291
VAT payable	211	169
Other creditors	900	1,148
	<u>4,310</u>	<u>4,177</u>

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

13 Creditors: amounts falling due after more than one year

	2023 £'000	2022 £'000
Bank and other loans	21,530	23,897
Accruals and deferred income	259	291
Derivative financial instruments	-	1,546
Deferred tax liability	180	-
	<u>21,969</u>	<u>25,734</u>

The Company uses derivative financial instruments in the form of interest rate swaps to reduce its exposure to interest rate fluctuations on the Company's floating rate bank loan. A new interest rate swap agreement to transition from LIBOR to SONIA was signed on 3 May 2022, effective from 1 July 2022. A new Facility Agreement with the loan provider was simultaneously signed on the same date. As a result, the Company is not exposed to any additional risk because of the interest rate reform and loans will remain effectively hedged.

14 Bank and other loans

	2023 £'000	2022 £'000
Bank loans	22,868	25,014
Other loans	1,040	1,039
	<u>23,908</u>	<u>26,053</u>
Payable within one year	2,378	2,156
Payable after one year	21,530	23,897
	<u>23,908</u>	<u>26,053</u>
Payable after five years	<u>9,229</u>	<u>12,619</u>

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

14 Bank and other loans

(Continued)

Bank loan facility

The bank loan facility is stated net of arrangement fees totalling £30,000 (2022: £39,000). 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 SONIA. The Company has entered into interest rate hedging arrangements that effectively fix SONIA 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 £6,000 (2022: £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.

15 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:

	Liability 2023 £'000	Assets 2022 £'000
Balances:		
Deferred tax on Derivative financial instruments	(180)	386
Movements in the year:		2023 £'000
Asset at 1 July 2022		386
Effect of change in fair value of derivative		(566)
Liability at 30 June 2023		(180)

The deferred tax balance is in relation to the interest rate swap balance and is expected to affect profit or loss over the period to maturity of the interest rate swap.

BIRMINGHAM SCHOOLS PARTNERSHIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

16 Share capital and reserves

	2023 Number	2022 Number	2023 £'000	2022 £'000
Ordinary share capital				
Issued and fully paid				
1,501,000 Ordinary shares of £1 each	<u>1,501,000</u>	<u>1,501,000</u>	<u>1,501</u>	<u>1,501</u>

Other reserves

The company's other reserves are as follows:

The profit and loss account represents cumulative profits or losses net of dividends.

The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in hedging variable interest rate risk of recognised financial instruments. Amounts accumulated in this reserve are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

17 Related party transactions

As at 30 June 2023 the company owed £1,046,000 (2022: £1,046,000) under a subordinated loan agreement to the parent company Birmingham Schools Partnership Group Limited. During the year ended 30 June 2023 the company incurred £126,000 (2022: £126,000) in respect of subordinated interest. As at 30 June 2023 £52,000 (2022: £52,000) was due to the shareholder, (disclosed within note 12), in respect of subordinated interest and is included in other creditors.

As at 30 June 2023 the company was owed £6,260,000 (2022: £6,260,000) under a loan agreement by Birmingham Schools Partnership (Group) Limited. During the year ended 30 June 2023 the company received £376,000 (2022: £375,000) in respect of interest. As at 30 June 2023 £154,000 (2022: £154,000) was due from Birmingham Schools Partnership (Group) Limited (disclosed within note 11), in respect of interest and is included in other debtors.

As at 30 June 2023 the company owed £272,000 (2022: £272,000) to the parent company Birmingham Schools Partnership Group Limited.

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 £216,000 (2022: £194,000) in respect of project management and other associated services to Vercity Social Infrastructure (UK) Limited. As at 30 June 2023, £3,000 (2022: £1,000) due to Vercity Social Infrastructure (UK) Limited remains outstanding and is included in Creditors.

During the year ended 30 June 2023, the company incurred £69,000 (2022: £121,000) in respect of directors' services from Innisfree Limited. As at 30 June 2023 £nil (2022: £nil) due to Innisfree Limited is included in Trade creditors.

18 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.