

REGISTERED NUMBER: 06915791 (England and Wales)

**Strategic Report, Directors' Report and
Financial Statements for the Period 1 January 2017 to 30 December 2017
for
Birmingham LEP Company Limited**

TUESDAY



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**Contents of the Financial Statements
for the Period 1 January 2017 to 30 December 2017**

	Page
Company Information	1
Strategic Report	2
Directors' Report	4
Statement of Directors' Responsibilities	5
Report of the Independent Auditor	6
Statement of Comprehensive Income	8
Balance Sheet	9
Statement of Changes in Equity	10
Cash Flow Statement	11
Notes to the Financial Statements	12

Birmingham LEP Company Limited

Company Information for the Period 1 January 2017 to 30 December 2017

Directors:	Kate Flaherty Steven Paul Fraser Jasvinder Uppal Jaswinder Didiaily
Secretary:	Ailison Mitchell
Registered office:	3rd Floor 3 - 5 Charlotte Street Manchester M1 4HB
Registered number:	06915791 (England and Wales)
Independent auditor:	KPMG LLP 1 St Peter's Square Manchester M2 3AE
Bankers:	Barclays Bank Plc 1 Churchill Place London E14 5HP
Solicitors:	DLA Piper UK LLP 1 St Peter's Square Manchester M2 3DE

**Strategic Report
for the Period 1 January 2017 to 30 December 2017**

The directors present their strategic report for the period 1 January 2017 to 30 December 2017.

Company objectives

The Company was formed to deliver the Government's Building Schools for the Future (BSF) programme in Birmingham. However, since the BSF programme was cancelled in 2010, the focus has been on completing the building contracts that had been signed at that date. No further construction activity is forecast, although the provision of facilities maintenance and ICT services will continue.

Company's strategy

Given the cancellation of the BSF programme outlined above, the Company's strategy is now to mothball as many of its activities as possible whilst still carrying out any remaining obligations. Discussions are ongoing between the Company and Birmingham City Council as to which activities will stop and which will continue.

Principal risks and uncertainties

In July 2010, the government cancelled phases 2 and 3 of the Birmingham BSF programme, resulting in a significant permanent reduction in the Company's pipeline of future opportunities and causing an event of default under the working capital loan facility. The terms of this facility were re-negotiated and waivers provided by the lenders, who are also the shareholders.

Given the lack of future opportunities, the directors concluded that it was in the best interests of the Company to effectively mothball operations with effect from October 2013, when the final schools in the existing programme were scheduled to be handed over. Detailed cash flow projections were prepared up to that date and these formed the basis of further discussions with the working capital facility lenders about a waiver of all remaining amounts due under that facility agreement at the end of October 2013. Such a waiver was agreed by all parties and a deed to formalise this was signed on 2 May 2013.

At the beginning of the year, the company had a contractual obligation (sub-contracted to Engie Buildings Limited) to provide lifecycle replacement services at Broadway School, ending in 2036. The total amounts payable to Engie exceed the total amounts receivable from Birmingham City Council (BCC) by around £1.457m, with the difference originally expected to be made up by interest earnings on the residual cash balance in the lifecycle fund. With deposit rates at their current low levels, there was likely to be a shortfall which needed to be remedied by additional funding from shareholders. On 24 April 2017 a deed of variation to the hard facilities management contract and subcontract was signed. This deed removes the obligation to provide lifecycle replacement services and requires the return of the surplus of £1.457m to BCC (being the net amount of cumulative lifecycle receipts from BCC less cumulative payments to Engie in respect of Broadway lifecycle). The obligation was settled in full on 8 May 2017.

Birmingham LEP Company Limited (Registered number: 06915791)

**Strategic Report
for the Period 1 January 2017 to 30 December 2017**

Going concern

The company had net current liabilities of £55,000 as at 30th December 2017 and a loss for the period then ended of £34,000. The net operating cash outflow for the period ended 30th December 2017 was £1,506,000, however this was primarily driven by the settlement of the deferred lifecycle expenditure liability, which amounted to £1,458,000 as at the 2016 year end (see note 12) and which is not expected to reoccur. The cash balance as at 30th December 2017 was £42,000 and the balance as at 31st December 2018 was £97,297 and net current liabilities were £41,567. 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 for a period of at least 12 months from the date of approval 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 company's majority shareholder, Birmingham Schools PSP LEP Limited not seeking repayment of the accrued interest due on the outstanding loans and any future interest accruing on these loans, which at 31st December 2018 amounted to £62,578. Birmingham Schools PSP LEP Limited has indicated that it does not intend to seek repayment of the amounts due or any associated unpaid accrued interest that may arise for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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.

Key performance indicators

Given the scale of the company's operations, the directors do not consider that key performance indicators are relevant for an understanding of the business performance.

Post-balance sheet event

The company shortened its accounting reference date in the period, changing this from 31 December 2017 to 30 December 2017. This was to allow time to for a settlement agreement.

During the period, a dispute arose between a school where services have been provided alongside the Company and one of its suppliers. A settlement agreement was reached and signed on 6 February 2019, with the Company making a contribution of £26,000 in order to make good on defects arising in the school.

By order of the board:



.....
Allison Mitchell - Secretary

Date: 22 MARCH 2019

Birmingham LEP Company Limited (Registered number: 06915791)

**Directors' Report
for the Period 1 January 2017 to 30 December 2017**

The directors present their report with the financial statements of the company for the period 1 January 2017 to 30 December 2017.

Dividends

The directors do not recommend the payment of a dividend (2016: £nil).

The loss for the year is £34,000 (2016 loss: £15,000).

Directors

The directors shown below have held office during the whole of the period from 1 January 2017 to the date of this report.

Kate Flaherty
Steven Paul Fraser
Jasvinder Uppal

Other changes in directors holding office are as follows:

Paul Anthony Dransfield - resigned 27 June 2017
Peter Jones - resigned 27 June 2017

Jasvinder Didally was appointed as a director after 30 December 2017 but prior to the date of this report.

Certain directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Employees

The company had no employees during the year (2016: none).

Political donations

There were no political donations made in the year (2016: £nil).

Consideration of the UK exiting the European Union (Brexit)

The directors are aware that the UK is committed to exiting the European Union and have considered the impact that this could have on the Company. The directors have assessed this and consider that the most significant risk is around the recoverability of the loans the Company has lent to the two companies in which it has a shareholding.

After considering the exposure to these loans, the directors believe that 'Brexit' would not affect the Company in any material way.

Statement as to disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that so far as they are each aware there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board:


.....
Allison Mitchell - Secretary

Date: 22 MARCH 2019

**Statement of Directors' Responsibilities
for the Period 1 January 2017 to 30 December 2017**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Independent auditor's report to the members of Birmingham LEP Company Limited

Opinion

We have audited the financial statements of Birmingham LEP Company Limited ("the company") for the year ended 31st December 2017 which comprise the Statement of comprehensive income, the Balance sheet and the Statement of changes in equity, the Cashflow statement and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Independent auditor's report to the members of Birmingham LEP Company Limited (continued)

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

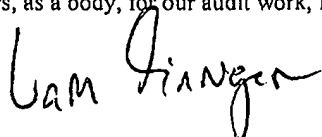
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Liam Finnigan (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE
Date: 15th March 2019

Birmingham LEP Company Limited (Registered number: 06915791)

**Statement of Comprehensive Income
for the Period 1 January 2017 to 30 December 2017**

	Notes	Period 1/1/17 to 30/12/17 £'000	Year Ended 31/12/16 £'000
Turnover	3	1,568	1,664
Cost of sales		(1,564)	(1,665)
Gross profit/(loss)		4	(1)
Administrative expenses		(68)	(56)
Operating loss		(64)	(57)
Income from shares in group undertakings		27	38
Interest receivable and similar income	5	83	82
Interest payable and similar expenses	6	(80)	(78)
Loss before taxation	7	(34)	(15)
Tax on loss	8	-	-
Loss for the financial period		(34)	(15)

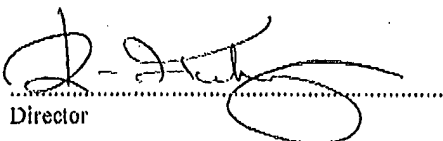
The notes on pages 12 to 21 form part of these financial statements

Birmingham LEP Company Limited (Registered number: 06915791)

**Balance Sheet
30 December 2017**

	Notes	2017 £'000	2016 £'000
Fixed assets			
Investments	9	679	732
Current assets			
Debtors: amounts falling due within one year	10	260	231
Cash at bank		42	1,624
		<u>302</u>	<u>1,855</u>
Creditors: amounts falling due within one year	11	<u>(357)</u>	<u>(417)</u>
Net current (liabilities)/assets		<u>(55)</u>	<u>1,438</u>
Total assets less current liabilities		<u>624</u>	<u>2,170</u>
Creditors: amounts falling due after more than one year	12	<u>(665)</u>	<u>(2,177)</u>
Net liabilities		<u><u>(41)</u></u>	<u><u>(7)</u></u>
Capital and reserves			
Called up share capital	14	10	10
Capital contribution	15	3,678	3,678
Retained earnings	15	<u>(3,729)</u>	<u>(3,695)</u>
Shareholders' funds		<u><u>(41)</u></u>	<u><u>(7)</u></u>

The financial statements were approved by the Board of Directors on 22 MARCH 2019 and were signed on its behalf by:


Director

The notes on pages 12 to 21 form part of these financial statements

Birmingham LEP Company Limited (Registered number: 06915791)

**Statement of Changes in Equity
for the Period 1 January 2017 to 30 December 2017**

	Called up share capital £'000	Retained earnings £'000	Capital contribution £'000	Total equity £'000
Balance at 1 January 2016	10	(3,680)	3,678	8
Changes in equity				
Total comprehensive loss	-	(15)	-	(15)
Balance at 31 December 2016	10	(3,695)	3,678	(7)
Changes in equity				
Total comprehensive loss	-	(34)	-	(34)
Balance at 30 December 2017	10	(3,729)	3,678	(41)

The notes on pages 12 to 21 form part of these financial statements

Birmingham LEP Company Limited (Registered number: 06915791)

**Cash Flow Statement
for the Period 1 January 2017 to 30 December 2017**

	Notes	Period 1/1/17 to 30/12/17 £'000	Year Ended 31/12/16 £'000
Cash flows from operating activities			
Cash generated from operations	18	(1,506)	451
Net cash from operating activities		(1,506)	451
Cash flows from investing activities			
Receipt of shareholder loan capital		52	13
Interest received		83	82
Dividends received		27	38
Net cash from investing activities		162	133
Cash flows from financing activities			
Interest paid		(185)	(8)
Repayment of borrowings		(53)	(1)
Net cash from financing activities		(238)	(9)
(Decrease)/increase in cash and cash equivalents		(1,582)	575
Cash and cash equivalents at beginning of period	19	1,624	1,049
Cash and cash equivalents at end of period	19	42	1,624

The notes on pages 12 to 21 form part of these financial statements

**Notes to the Financial Statements
for the Period 1 January 2017 to 30 December 2017**

1. Statutory information

Birmingham LEP Company Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2. Accounting policies

Basis of preparing the financial statements

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102, issued in July 2015 and effectively immediately, have been applied. All amounts in the financial statements have been rounded to the nearest £1,000.

The shareholder arrangements are such that no one shareholder is deemed to control the Company and hence it has no ultimate parent company and is not consolidated into the accounts of a larger group.

In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Key Management Personnel compensation.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

The company had net current liabilities of £55,000 as at 30th December 2017 and a loss for the period then ended of £34,000. The net operating cash outflow for the period ended 30th December 2017 was £1,506,000, however this was primarily driven the settlement of the deferred lifecycle expenditure liability, which amounted to £1,458,000 as at the 2016 year end (see note 12) and which is not expected to reoccur. The cash balance as at 30th December 2017 was £42,000 and the balance as at 31st December 2018 was £97,297 and net current liabilities were £41,567. 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 for a period of at least 12 months from the date of approval 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 company's majority shareholder, Birmingham Schools PSP LEP Limited not seeking repayment of the accrued interest due on the outstanding loans and any future interest accruing on these loans, which at 31st December 2018 amounted to £62,578. Birmingham Schools PSP LEP Limited has indicated that it does not intend to seek repayment of the amounts due or any associated unpaid accrued interest that may arise for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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.

**Notes to the Financial Statements - continued
for the Period 1 January 2017 to 30 December 2017**

Classification of financial instruments issued by the Company

In accordance with Section 22 of FRS 102, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

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.

Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

**Notes to the Financial Statements - continued
for the Period 1 January 2017 to 30 December 2017**

2. Accounting policies - continued

Turnover

Turnover consists of the value of goods and services provided in the period to which a contractual right to receive payment has been established exclusive of VAT.

Expenses

Interest receivable and interest payable

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

Interest payable and similar expenses include interest payable on borrowings and associated ongoing financing fees.

Interest payable is recognised in profit or loss as it accrues, using the effective interest method. Other interest receivable and similar income is recognised in profit or loss as it accrues.

Investments in subsidiaries

These are separate financial statements of the company. Investments in subsidiaries, jointly controlled entities and associates are carried at cost less impairment.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Notes to the Financial Statements - continued
for the Period 1 January 2017 to 30 December 2017

3. Turnover

The turnover and loss before taxation are attributable to the one principal activity of the company.

An analysis of turnover by class of business is given below:

	Period 1/1/17 to 30/12/17 £'000	Year Ended 31/12/16 £'000
Project management fee	40	24
ICT services	761	823
Management services	233	224
Facilities management services	534	593
	<u>1,568</u>	<u>1,664</u>

The turnover and profit before taxation arises entirely within the United Kingdom.

4. Employees and directors

The company had no employees during the year (2016: none). Services provided by the contractors include the provision of staff and management to perform contractual responsibilities. Costs associated with the staff and management are included within the contractor's service charges. The Directors received no remuneration for their services during the year (2016: £nil).

5. Interest receivable and similar income

	Period 1/1/17 to 30/12/17 £'000	Year Ended 31/12/16 £'000
Loan stock interest	79	78
Bank interest	4	4
	<u>83</u>	<u>82</u>

6. Interest payable and similar expenses

	Period 1/1/17 to 30/12/17 £'000	Year Ended 31/12/16 £'000
Loan stock interest	80	78

Notes to the Financial Statements - continued
for the Period 1 January 2017 to 30 December 2017

7. Loss before taxation

The loss is stated after charging:

	Period 1/1/17 to 30/12/17 £'000	Year Ended 31/12/16 £'000
Auditors' remuneration	10	8

8. Taxation

Analysis of the tax charge

No liability to UK corporation tax arose for the period ended 30 December 2017 nor for the year ended 31 December 2016.

Reconciliation of total tax charge included in profit and loss

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	Period 1/1/17 to 30/12/17 £'000	Year Ended 31/12/16 £'000
Loss before tax	(34)	(15)
Loss multiplied by the standard rate of corporation tax in the UK of 19.250% (2016 - 20%)	(7)	(3)
Effects of:		
Income not taxable for tax purposes	(5)	(8)
Unutilised loss carried forward	12	11
Total tax charge	-	-

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 21% to 20% effective from 1 April 2015 was substantively enacted on 2 July 2013. Further reductions to 19% effective from 1 April 2017 and to 18% effective 1 April 2020 were substantively enacted on 26 October 2015, and an additional reduction to 17% effective 1 April 2020 was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

9. Investments

	2017 £'000	2016 £'000
Shares in group undertakings	5	5
Loans to group undertakings	674	727
	679	732

Notes to the Financial Statements - continued
for the Period 1 January 2017 to 30 December 2017

9. Investments - continued

Additional information is as follows:

	Shares in group undertakings £'000
Cost	
At 1 January 2017 and 30 December 2017	5
Net book value	
At 30 December 2017	5
At 31 December 2016	5

The company's investments at the Balance Sheet date in the share capital of companies include the following:

Birmingham Schools SPC Holdings Phase 1a Limited

Registered office: 3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB

Nature of business: Holding company

Class of shares:	% holding	2017	2016
Ordinary	10.00	£'000	£'000
Aggregate capital and reserves		50	50
Profit for the period/year		106	194

Birmingham Schools SPC Holdings Phase 1b Limited

Registered office: 3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB

Nature of business: Holding company

Class of shares:	% holding	2017	2016
Ordinary	10.00	£'000	£'000
Aggregate capital and reserves		1	1
Profit for the period/year		164	190

	Loans to group undertakings £'000
At 1 January 2017	727
Repayment in year	(53)
At 30 December 2017	674

Notes to the Financial Statements - continued
for the Period 1 January 2017 to 30 December 2017

10. Debtors: amounts falling due within one year

	2017	2016
	£'000	£'000
Trade debtors	224	63
Other debtors	36	155
VAT	-	13
	<u>260</u>	<u>231</u>

Trade debtors are shown net of a provision of £26,000 (2016: £nil).

11. Creditors: amounts falling due within one year

	2017	2016
	£'000	£'000
Loan stock to shareholders (see note 13)	30	135
Trade creditors	282	117
Amounts owed to related parties	-	7
Accrued expenses	45	158
	<u>357</u>	<u>417</u>

12. Creditors: amounts falling due after more than one year

	2017	2016
	£'000	£'000
Loan stock to shareholders (see note 13)	660	714
Deferred lifecycle expenditure	-	1,458
Loan owing to shareholders	5	5
	<u>665</u>	<u>2,177</u>

13. Interest bearing loans and borrowings

An analysis of the maturity of interest bearing loans and borrowings is given below:

	2017	2016
	£'000	£'000
Amounts falling due within one year or on demand:		
Loan stock owing to shareholders	<u>30</u>	<u>135</u>
Amounts falling due between one and two years:		
Loan stock owing to shareholders	<u>16</u>	<u>21</u>
Amounts falling due between two and five years:		
Loan stock owing to shareholders	<u>50</u>	<u>48</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Loan stock owing to shareholders	<u>594</u>	<u>645</u>

Notes to the Financial Statements - continued
for the Period 1 January 2017 to 30 December 2017

13. Interest bearing loans and borrowings - continued

The loans owing to shareholders represent loan stock funding from shareholders into the LEP which is in turn directly invested in the PFI projects (see note 9). The interest rate payable on these loans is 11% p.a. (fixed) in respect of Phase 1a and 8.7% (index-linked) in respect of Phase 1b.

Terms and debt repayment schedule

The total cash repayable on the loan is as follows:

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2017 £'000	2016 £'000
Amounts owing to shareholders - Phase 1a	GBP	11.00%	2036	Semi-annual	269	517
Amounts owing to shareholders - Phase 1b	GBP	8.70% + RPI	2038	Semi-annual	421	332

14. Called up share capital

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2017 £	2016 £
10,000	Ordinary £1 (2016: £1)	£1	<u>10,000</u>	<u>10,000</u>

15. Reserves

	Retained earnings £'000	Capital contribution £'000	Totals £'000
At 1 January 2017	(3,695)	3,678	(17)
Deficit for the period	<u>(34)</u>	<u>-</u>	<u>(34)</u>
At 30 December 2017	<u>(3,729)</u>	<u>3,678</u>	<u>(51)</u>

During 2011, the lenders agreed to write off £2,300,000 of the outstanding balance by way of a capital contribution. Further amounts of £672,000 and £706,000 were similarly waived during 2012 and 2013 respectively.

16. Ultimate parent company and parent company of larger group

The Company's shareholders are Birmingham Schools PSP LEP Limited (80%), Birmingham City Council (10%) and Building Schools for the Future Investments LLP (10%). The shareholder arrangements are such that no one shareholder is deemed to control the Company and hence it has no ultimate parent company and is not consolidated into the accounts of a larger group. Copies of the accounts of Birmingham LEP Company Ltd can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ

**Notes to the Financial Statements - continued
for the Period 1 January 2017 to 30 December 2017**

17. Related party disclosures

Birmingham Schools PSP LEP Limited

The related party is an 80% shareholder in the Company, and provided financing in the year amounting to £64,000 (2016: £63,000). At the balance sheet date, the amount owing to the related party was £553,000 (2016: £582,000).

Lend Lease Construction (EMEA) Limited

The related party is a sister company of Lend Lease Infrastructure Holdings (EMEA) Limited - 100% shareholder of Birmingham Schools PSP LEP Limited. The related party provided Construction and ICT Services amounting to £32,000 (2016: £31,000). At the balance sheet date, the amount owing to the related party was £74,000 (2016: £50,000).

Birmingham City Council

The related party is a 10% shareholder in the Company and received services in the year amounting to £40,000 (2016: £353,000) from the company. The amount owing from the related party at the balance sheet date in respect of this was £3,000 (2016: £7,000). Additionally, financing by the related party in the year amounting to £8,000 (2016: £8,000) was also provided, with the amount owing to the related party at the balance sheet amounting to £69,000 (2016: £73,000)

Building Schools for the Future Investments LLP

The related party is a 10% shareholder in the Company and provided financing to the related party in the year amounting to £8,000 (2016: £8,000). The amount owing to the related party at the balance sheet amounting to £68,000 (2016: £73,000)

Birmingham Schools SPC Holdings Phase 1a Limited

The company is a 10% shareholder in the related party. The company received services from the related party in the year amounting to £48,000 (2016: £49,000). At the balance sheet date, the amount owing from the related party was £434,000 (2016: £441,000).

Birmingham Schools SPC Phase 1a Limited

The related party is a wholly-owned subsidiary of Birmingham Schools SPC Holdings Phase 1a Limited. The company received management fees from the related party in the year amounting to £92,000 (2016: £89,000). At the balance sheet date, the amount owing from the related party was £Nil (2016: £Nil).

Birmingham Schools SPC Holdings Phase 1b Limited

The company is a 10% shareholder in the related party. The company received services from the related party in the year amounting to £31,000 (2016: £29,000). At the balance sheet date, the amount owing from the related party was £240,000 (2016: £286,000).

Birmingham Schools SPC Phase 1b Limited

The related party is a wholly-owned subsidiary of Birmingham Schools SPC Holdings Phase 1a Limited. The company received management fees from the related party in the year amounting to £141,000 (2016: £134,000). At the balance sheet date, the amount owing from the related party was £Nil (2016: £Nil).

Notes to the Financial Statements - continued
for the Period 1 January 2017 to 30 December 2017

18. Reconciliation of loss for the financial period to cash generated from operations

	Period 1/1/17 to 30/12/17 £'000	Year Ended 31/12/16 £'000
Loss for the financial period	(34)	(15)
Finance costs	80	78
Finance income	(110)	(120)
	<u>(64)</u>	<u>(57)</u>
Increase in trade and other debtors	(30)	(11)
(Decrease)/increase in trade and other creditors	(1,412)	519
	<u>(1,506)</u>	<u>451</u>

19. Cash and cash equivalents

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Period ended 30 December 2017

	30/12/17 £'000	1/1/17 £'000
Cash and cash equivalents	<u>42</u>	<u>1,624</u>

Year ended 31 December 2016

	31/12/16 £'000	1/1/16 £'000
Cash and cash equivalents	<u>1,624</u>	<u>1,049</u>