

COMPANY REGISTRATION NUMBER: SC297620

Midlothian Schools (Debt Co) Limited
Annual Report and Financial Statements
31 December 2016



Midlothian Schools (Debt Co) Limited

Annual Report and Financial Statements

Year Ended 31 December 2016

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Midlothian Schools (Debt Co) Limited

Officers and Professional Advisers

The Board of Directors	David F Gilmour BIF Corporate Services Limited (Resigned 25 January 2016) John Cavill (Appointed 25 January 2016)
Company Secretary	Infrastructure Managers Limited
Registered Office	2nd Floor 11 Thistle Street EH2 1DF
Auditors	PricewaterhouseCoopers LLP Chartered Accountants & Statutory Auditors Level 4 Atria One 144 Morrison Street Edinburgh EH3 8EX
Bankers	Sumitomo Mitsui Banking Corporation Europe Limited 99 Queen Victoria Street London EC4V 4EH
Solicitors	Maclay Murray & Spens LLP Quatermile One 15 Lauriston Place Edinburgh EH3 9EP

Midlothian Schools (Debt Co) Limited

Directors' Report

Year Ended 31 December 2016

The directors present their report and the financial statements of the company for the year ended 31 December 2016.

Principal Activities

The principal activity of the company is the provision of loan stock to Midlothian Schools Limited, a fellow subsidiary company whose principal activities are the provision of design, construction, finance and facilities management services to Midlothian Council in relation to eight schools over a contract period of 31 years ending 2037.

Key performance indicators

The directors believe that the analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the performance or position of the Company.

Performance Review

In line with the expectations, the company did not generate a profit or a loss for the year (2015: £nil).

The directors are satisfied with the overall performance of the Company and do not foresee any significant change in the Company's activities in the coming financial year.

Directors

The directors who served the company during the year and up to the date of this report were as follows:

David F Gilmour

John Cavill

(Appointed 25 January 2016)

BIIF Corporate Services Limited (Resigned 25 January 2016)

Dividends

The directors do not recommend the payment of a dividend.

Small Company Provisions

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

Disclosure of Information to Auditors

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The auditor is deemed to have been reappointed in accordance with section 487 of the Companies Act 2006.

Midlothian Schools (Debt Co) Limited

Directors' Report *(continued)*

Year Ended 31 December 2016

This report was approved by the board of directors on 22 June 2017 and signed by order of the board by:



Infrastructure Managers Limited
Company Secretary

Midlothian Schools (Debt Co) Limited

Directors' Responsibilities Statement

Year Ended 31 December 2016

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


Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

The Directors' Responsibilities were approved by the board on 22 June 2017 and signed on its behalf by:



David F Gilmour

Director

Midlothian Schools (Debt Co) Limited

Independent Auditors' Report to the Members of Midlothian Schools (Debt Co) Limited

Year Ended 31 December 2016

Report on the Financial Statements

Our Opinion

In our opinion, Midlothian Schools (Debt Co) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its result 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.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 December 2016;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the Notes to the Financial Statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on Other Matters Prescribed by the Companies Act 2006

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

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

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Directors' Report. We have nothing to report in this respect.

Midlothian Schools (Debt Co) Limited

Independent Auditors' Report to the Members of Midlothian Schools (Debt Co) Limited *(continued)*

Year Ended 31 December 2016

Other Matters on Which We are Required to Report by Exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Responsibilities for the Financial Statements and the Audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Midlothian Schools (Debt Co) Limited

Independent Auditors' Report to the Members of Midlothian Schools (Debt Co) Limited *(continued)*

Year Ended 31 December 2016

What an Audit of Financial Statements Involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Paul Cheshire (Senior Statutory Auditor)

For and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
Edinburgh

22 JUNE 2017

Midlothian Schools (Debt Co) Limited

Statement of Comprehensive Income

Year Ended 31 December 2016

	Note	2016 £	2015 £
Other interest receivable and similar income	6	376,136	376,136
Interest payable and similar expenses	7	(376,136)	(376,136)
Result before taxation		—	—
Tax on profit		—	—
Result for the financial year and total comprehensive income		—	—

All the activities of the company are from continuing operations.

The notes on pages 11 to 14 form part of these financial statements.

Midlothian Schools (Debt Co) Limited

Statement of Changes in Equity

Year Ended 31 December 2016

	Called up share capital £	Retained earnings £	Total £
At 1 January 2015	1	–	1
Profit for the year		–	–
At 31 December 2015	1	–	1
Profit for the year		–	–
At 31 December 2016	<u>1</u>	<u>–</u>	<u>1</u>

The notes on pages 11 to 14 form part of these financial statements.

Midlothian Schools (Debt Co) Limited

Notes to the Financial Statements

Year Ended 31 December 2016

1. Statement of compliance

The individual financial statements of Midlothian Schools (Debt Co) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

2. General information

Midlothian Schools (Debt Co) Limited ('the company') is incorporated and domiciled in the UK. The address of its registered office is 2nd Floor, 11 Thistle Street, , EH2 1DF.

The principal activity of the company is the provision of loan stock to Midlothian Schools Limited, a fellow subsidiary company whose principal activities are the provision of design, construction, finance and facilities management services to Midlothian Council in relation to eight schools over a contract period of 31 years ending 2037.

Key performance indicators

The directors believe that the analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the performance or position of the Company.

The company's functional and presentation currency is the pound sterling.

3. Accounting policies

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed further in the accounting policies.

The accounting policies stated below have been consistently applied to the years presented, unless otherwise stated.

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of BIFF Holdco Limited which can be obtained from the Company Secretary at Cannon Place, 78 Cannon Street, London, EC4N 6AF. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

(a) No cash flow statement has been presented for the company.

The Company is wholly owned by BIFF Holdco Limited and has taken advantage of the exemption in section 33 of FRS 102 'Related Party Disclosures', that allows it not to disclose transactions with wholly owned members of a group.

Midlothian Schools (Debt Co) Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2016

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty are as follows:

i) Impairment of assets

The carrying value of those assets recorded in the Company's balance sheet, at amortised cost, could be materially reduced where circumstances exist which might indicate that an asset has been impaired and an impairment review is performed. Impairment reviews consider the fair value and or value in use of the potentially impaired asset or assets and compares that with the carrying value of the asset or assets in the balance sheet. Any reduction in value arising from such a review would be recorded in the statement of comprehensive income. Impairment reviews involve the significant use of assumptions. Consideration has to be given as to the price that could be obtained for the asset or assets, or in relation to a consideration of value in use, estimates of the future cash flows that could be generated by the potentially impaired asset or assets, together with a consideration of an appropriate discount rate to apply to those cash flows.

Income tax

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

i) Current Tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

4. Auditors' remuneration

The audit fee of £1,984 (2015: £2,074) was borne by the subsidiary company Midlothian Schools Limited.

5. Particulars of employees and directors

The average number of persons employed by the company during the financial year, including the directors, amounted to nil (2015: nil). The directors did not receive any remuneration from the Company during the year (2015: £nil).

Midlothian Schools (Debt Co) Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2016

6. Other interest receivable and similar income

	2016	2015
	£	£
Interest from Group undertakings	<u>376,136</u>	<u>376,136</u>

7. Interest payable and similar expenses

	2016	2015
	£	£
Interest due to Group undertakings	<u>376,136</u>	<u>376,136</u>

8. Debtors

Debtors falling due within one year are as follows:

	2016	2015
	£	£
Called up share capital not paid	<u>1</u>	<u>1</u>

Debtors falling due after one year are as follows:

	2016	2015
	£	£
Amounts owed by group undertakings	<u>2,765,709</u>	<u>2,765,709</u>

The amounts owed by group undertakings represent unsecured loan notes that bear interest at 13.6% per annum from the date of issue and are repayable on 30 June 2037.

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

	2016	2015
	£	£
Subordinated loan stock	<u>2,765,709</u>	<u>2,765,709</u>

The loan notes are unsecured and bear interest at 13.6% per annum from the date of issue and are repayable on 30 June 2037.

10. Called up share capital

Issued, called up and fully paid

	2016		2015	
	No	£	No	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

11. Reserves

Retained earnings - This reserve records retained earnings and accumulated losses.

Midlothian Schools (Debt Co) Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2016

12. Related party transactions

The company is wholly owned by Midlothian Schools (Holdings) Limited and has taken advantage of the exemption in section 33 of FRS 102 'Related Party Disclosures', that allows it not to disclose transactions with wholly owned members of a group.

13. Controlling party

The immediate parent undertaking is Midlothian Schools (Holdings) Limited.

The intermediate parent undertaking is BIIF Holdco Limited, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of BIIF Holdco Limited consolidated financial statements can be obtained from the Company Secretary at Cannon Place, 78 Cannon Street, London, EC4N 6AF.