COMPANY REGISTRATION NUMBER: SC297620

Midlothian Schools (Debt Co) Limited

Annual Report and Financial Statements

31 December 2018

Midlothian Schools (Debt Co) Limited

Annual Report and Financial Statements

Year Ended 31 December 2018

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Midlothian Schools (Debt Co) Limited

Officers and Professional Advisers

The Board of Directors	David F Gilmour John Cavill
Company Secretary	Infrastructure Managers Limited
Registered Office	2nd Floor 11 Thistle Street EH2 1DF
Independent 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

Midlothian Schools (Debt Co) Limited

Directors' Report

Year Ended 31 December 2018

The directors present their report and the audited Annual Report and Financial Statements of Midlothian Schools (Debt Co) Limited ("the Company") for the year ended 31 December 2018.

Principal Activity

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 for eight schools to Midlothian Council under the Government's Public Private Partnership (PPP) programme. The contract is in year 12 of 31, having commenced in May 2007.

Performance Review

The result for the financial year, after taxation, amounted to £nil (2017: £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.

Key Performance Indicators

The performance of the Company from a cash perspective is assessed six monthly by the testing of the covenants of the senior debt provider. The key indicator being the debt service cover ratio. The Company has been performing well and has been compliant with the covenants laid out in the Group loan agreement.

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

Dividends

The directors do not recommend the payment of a dividend.

Qualifying Third Party Indemnity Provisions

The Company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Small Company Provisions

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Midlothian Schools (Debt Co) Limited

Directors' Report *(continued)*

Year Ended 31 December 2018

Disclosure of Information to Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they 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 auditors are deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 28/06/19 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 2018

The directors are responsible for preparing the Directors' Report and the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the Annual Report and Financial Statements for each financial year. Under that law the directors have prepared the Annual Report and 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 Annual Report and Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

In preparing the Annual Report and 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 Annual Report and Financial Statements; and
- prepare the Annual Report and 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 Annual Report and 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.

Report on the Audit of the Financial Statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2018; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions Relating to Going Concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, suppliers and the wider economy.

Reporting on Other Information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the Financial Statements and the Audit

Responsibilities of the Directors for the Financial Statements

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of This Report

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.

Other Required Reporting

Companies Act 2006 Exception Reporting

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 by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

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 in preparing the Directors' Report and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Paul Cheshire (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
Edinburgh

28/06/19

Midlothian Schools (Debt Co) Limited

Statement of Comprehensive Income

Year Ended 31 December 2018

	Note	2018 £	2017 £
Other interest receivable and similar income	6	**376,136**	337,300
Interest payable and similar expenses	7	**(376,136)**	(337,300)
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 the Annual Report and Financial Statements.

Midlothian Schools (Debt Co) Limited

Statement of Financial Position

As at 31 December 2018

	Note	2018 £	2017 £
Current assets			
Debtors: amounts falling due within one year	8	1	1
Debtors: amounts falling due after more than one year	8	2,765,708	2,765,708
		2,765,709	2,765,709
Net current assets		2,765,709	2,765,709
Total assets less current liabilities		2,765,709	2,765,709
Creditors: amounts falling due after more than one year	9	(2,765,708)	(2,765,708)
Net assets		1	1
Capital and reserves			
Called up share capital	10	1	1
Retained earnings	11	–	–
Total shareholders' funds		1	1

The Annual Report and Financial Statements were approved by the board of directors and authorised for issue on 28/06/19, and are signed on behalf of the board by:

David Gilmour

David F Gilmour
Director

Company registration number: SC297620

The notes on pages 11 to 14 form part of the Annual Report and Financial Statements.

Midlothian Schools (Debt Co) Limited

Statement of Changes in Equity

Year Ended 31 December 2018

	Called up share capital	Retained earnings	Total
	£	£	£
At 1 January 2017	1	–	1
Profit for the financial year		–	–
At 31 December 2017	1	–	**1**
Result for the financial year		–	–
At 31 December 2018	1	–	**1**

The notes on pages 11 to 14 form part of the Annual Report and Financial Statements.

1. General Information

Midlothian Schools (Debt Co) Limited ("the Company") is a private company limited by shares and 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 for eight schools to Midlothian Council under the Government's Public Private Partnership (PPP) programme. The contract is in year 12 of 31, having commenced in May 2007.

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

2. 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.

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 BIIF 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.
(b) Disclosures in respect of financial instruments have not been presented.

The Company is wholly owned by BIIF 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.

3. Accounting Policies *(continued)*

Judgments and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. These estimates and judgments 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 Statement of Financial Position, 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 Statement of Financial Position. 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. The directors periodically evaluate 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 £2,411 (2017: £2,341) was borne by the fellow subsidiary company Midlothian Schools Limited.

Midlothian Schools (Debt Co) Limited

Notes to the Annual Report and Financial Statements *(continued)*

Year Ended 31 December 2018

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 (2017: nil). The directors did not receive any remuneration from the Company during the year (2017: £nil).

6. Other Interest Receivable and Similar Income

	2018	2017
	£	£
Interest from Group undertakings	**376,136**	337,300

7. Interest Payable and Similar Expenses

	2018	2017
	£	£
Interest due to Group undertakings	**376,136**	337,300

8. Debtors

Debtors amounts falling due within one year are as follows:

	2018	2017
	£	£
Called up share capital not paid	**1**	1

Debtors amounts falling due after more than one year are as follows:

	2018	2017
	£	£
Amounts owed by Group undertakings	**2,765,708**	2,765,708

The amounts owed by group undertakings represent unsecured loan notes that bear interest at 13.64% per annum from the date of issue and are repayable on 30 June 2037.

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

	2018	2017
	£	£
Amounts owed to Group undertakings	**2,765,708**	2,765,708

Included within creditors: amounts falling due after more than one year is an amount of £2,765,708 (2017: £2,765,708) in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

The loan notes are unsecured and bear interest at 13.64% per annum from the date of issue and are repayable to BIIF Holdco III Limited and PFI Infrastructure Finance Limited on 30 June 2037.

10. Called Up Share Capital

Issued and called up

	2018		2017	
	No.	£	No.	£
Ordinary shares of £1 each	**1**	**1**	1	1

11. Reserves

Retained earnings records retained earnings and accumulated losses.

12. Contingencies

A bond and floating charge covering all assets together with a fixed security over the Company's interest in the loan investment of Midlothian Schools Limited has been provided to the bankers of Midlothian Schools Limited.

13. Related Party Transactions

The company is wholly owned by BIIF 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.

14. 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.

The ultimate parent and controlling party is BIIF L.P. BIIF L.P. is owned by a number of investors with no one investor having individual control.