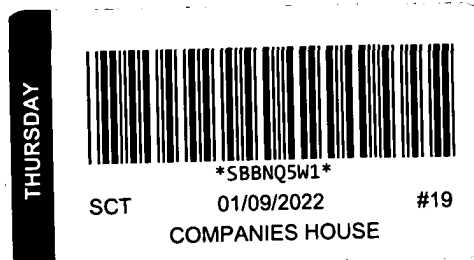


COMPANY REGISTRATION NUMBER: SC206930



The Edinburgh Schools Partnership Limited
Annual Report and Financial Statements
31 March 2022



The Edinburgh Schools Partnership Limited

Annual Report and Financial Statements

Year Ended 31 March 2022

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The Edinburgh Schools Partnership Limited

Officers and Professional Advisers

The Board of Directors

J I Cavill
R W Christie
J S Gordon
D F Gilmour (Resigned 3 November 2021)
A C Ritchie
M T Smith
C T Solley
K A McLellan
J Wrinn (Appointed 3 November 2021)

Company Secretary

Infrastructure Managers Limited

Registered Office

2nd Floor
11 Thistle Street
Edinburgh
EH2 1DF

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
Level 4
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Bankers

Lloyds Bank Corporate Markets
New Ueberior House
Edinburgh
EH3 9BN

The Edinburgh Schools Partnership Limited

Strategic Report

Year Ended 31 March 2022

The directors present their strategic report on The Edinburgh Schools Partnership Limited ("the Company") for the year ended 31 March 2022.

Principal objectives and strategies

The Company's principal objective is to design, construct, refurbish and provide lifecycle management, facilities management, cleaning and catering to schools within the Edinburgh area over a 30 year period with the concession ending in 2033. Included within the project are 10 primary, 5 secondary, 3 special needs schools and 1 community centre.

Review of business

Performance Review

The profit for the financial year, after taxation, amounted to £1,226,429 (2021: £2,364,864).

The profit for the financial year will be transferred to reserves.

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.

Going concern

The Company prepares cash flow forecasts covering the expected life of the asset and so including the 12 month period from the date the financial statements are signed. In drawing up these forecasts, the Directors have made assumptions based upon their view of the current and future economic conditions that will prevail over the forecast period. Based on these forecasts the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

In light of this, the Directors continue to adopt the going concern basis of accounting in preparing the Company's annual financial statements

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.

Principal risks and uncertainties

Due to the nature of the Company's business, the financial risks the directors consider relevant to this Company is credit, interest rate, cash flow and liquidity risk. The credit risk is not considered significant as the client is a quasi governmental organisation.

Interest rate risk

The financial risk management objectives of the Company are to ensure that financial risks are mitigated by the use of financial instruments. The Company uses interest rate swaps to reduce its exposure to interest rate movements. Financial instruments are not used for speculative purposes.

Cash Flow and Liquidity risk

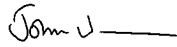
Many of the Cash Flow risks are addressed by means of contractual provisions. The Company's liquidity risk is principally managed through financing the Company by means of long term borrowings.

The Edinburgh Schools Partnership Limited

Strategic Report *(continued)*

Year Ended 31 March 2022

This report was approved by the board of directors on 4 August 2022 and signed on behalf of the board by:



J Wrinn
Director

The Edinburgh Schools Partnership Limited

Directors' Report

Year Ended 31 March 2022

The directors present their report and the audited Annual Report and Financial Statements of The Edinburgh Schools Partnership Limited ("the Company") for the year ended 31 March 2022.

Directors

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

J I Cavill	
R W Christie	
J S Gordon	
A C Ritchie	
M T Smith	
C T Solley	
K A McLellan	
J Wrinn	(Appointed 3 November 2021)
D F Gilmour	(Resigned 3 November 2021)

Dividends

The directors do not recommend the payment of a dividend (2021: £nil).

Future developments

The directors intend for the Company to continue to operate in line with the financial forecast model, contractual terms and do not expect any strategic changes.

Qualifying third party indemnity provisions

During the year, and at the date of this report, the Company has in place qualifying third party indemnity provisions for the benefit of its directors.

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 auditor is 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 auditor is aware of that information.

The independent auditors, PricewaterhouseCoopers LLP, 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 4 August 2022 and signed by order of the board by:



Mike Forrest on behalf of Infrastructure Managers Limited
Company Secretary

The Edinburgh Schools Partnership Limited

Directors' Responsibilities Statement

Year Ended 31 March 2022

The directors are responsible for preparing the Strategic Report, 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 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 Edinburgh Schools Partnership Limited

Independent Auditors' Report to the Members of The Edinburgh Schools Partnership Limited

Year Ended 31 March 2022

Report on the audit of the financial statements

Opinion

In our opinion, The Edinburgh Schools Partnership Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of its profit 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 March 2022; the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows 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

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

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

The Edinburgh Schools Partnership Limited

Independent Auditors' Report to the Members of The Edinburgh Schools Partnership Limited *(continued)*

Year Ended 31 March 2022

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's 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 Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2022 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 Strategic Report and 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, 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.

The Edinburgh Schools Partnership Limited

Independent Auditors' Report to the Members of The Edinburgh Schools Partnership Limited *(continued)*

Year Ended 31 March 2022

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 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.

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and the risk of management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries of management around known or suspected instances of non-compliance with laws and regulations, claims and litigation, and instances of fraud;
- Understanding of management's controls designed to prevent and detect irregularities;
- Review of board minutes;
- Challenging management on assumptions and judgements made in their significant accounting estimates, in particular in relation to the fair value of derivative financial instruments;
- Identifying and testing journal entries to assess whether any of the journals appeared unusual, for example impacting revenue and distributable reserves.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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 or intentional misrepresentations, or through collusion.

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.

The Edinburgh Schools Partnership Limited

Independent Auditors' Report to the Members of The Edinburgh Schools Partnership Limited *(continued)*

Year Ended 31 March 2022

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 obtained 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.



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

5 August 2022

The Edinburgh Schools Partnership Limited

Statement of Comprehensive Income

Year Ended 31 March 2022

	Note	2022 £	2021 £
Turnover	4	12,274,695	11,342,790
Cost of sales		<u>(9,922,821)</u>	<u>(8,940,652)</u>
Gross profit		2,351,874	2,402,138
Administrative expenses		<u>(730,469)</u>	<u>(787,395)</u>
Operating profit	5	1,621,405	1,614,743
Interest receivable and similar income	7	4,507,809	4,262,259
Interest payable and similar expenses	8	<u>(2,598,127)</u>	<u>(2,784,362)</u>
Profit before taxation		3,531,087	3,092,640
Tax on profit	9	<u>(2,304,658)</u>	<u>(727,776)</u>
Profit for the financial year		<u>1,226,429</u>	<u>2,364,864</u>
Fair value movements on cash flow hedging instruments, net of tax		<u>2,023,031</u>	<u>1,257,219</u>
Total comprehensive income for the year		<u>3,249,460</u>	<u>3,622,083</u>

All the activities of the Company are from continuing operations.

The notes on pages 14 to 25 form part of these Financial Statements.

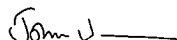
The Edinburgh Schools Partnership Limited

Statement of Financial Position

As at 31 March 2022

	Note	2022 £	2021 £
Current assets			
Debtors: amounts falling due within one year	10	3,882,787	4,602,721
Debtors: amounts falling due after more than one year	10	49,903,441	53,058,708
Cash at bank and in hand		14,049,072	11,815,673
		<u>67,835,300</u>	<u>69,477,102</u>
Creditors: amounts falling due within one year	11	<u>(9,564,593)</u>	<u>(9,038,753)</u>
Net current assets		<u>58,270,707</u>	<u>60,438,349</u>
Total assets less current liabilities		<u>58,270,707</u>	<u>60,438,349</u>
Creditors: amounts falling due after more than one year	12	<u>(37,723,845)</u>	<u>(44,210,900)</u>
Provisions for liabilities			
Taxation including deferred taxation	13	<u>(6,562,760)</u>	<u>(5,492,807)</u>
Net assets		<u>13,984,102</u>	<u>10,734,642</u>
Capital and reserves			
Called up share capital	16	83,395	83,395
Hedging reserve	17	(2,737,646)	(4,760,677)
Retained earnings	17	16,638,353	15,411,924
Total shareholders' funds		<u>13,984,102</u>	<u>10,734,642</u>

The Financial Statements were approved by the board of directors and authorised for issue on 4 August 2022, and are signed on behalf of the board by:



J Wrinn
Director

Company registration number: SC206930

The notes on pages 14 to 25 form part of these Financial Statements.

The Edinburgh Schools Partnership Limited

Statement of Changes in Equity

Year Ended 31 March 2022

	Called up share capital £	Hedging reserve £	Retained earnings £	Total £
At 1 April 2020	83,395	(6,017,896)	13,047,060	7,112,559
Profit for the financial year			2,364,864	2,364,864
Other comprehensive income for the year:				
Fair value movements on cash flow hedging instruments, net of tax	—	1,257,219	—	1,257,219
Total comprehensive income for the year	—	1,257,219	2,364,864	3,622,083
At 31 March 2021	83,395	(4,760,677)	15,411,924	10,734,642
Profit for the financial year			1,226,429	1,226,429
Other comprehensive income for the year:				
Fair value movements on cash flow hedging instruments, net of tax	—	2,023,031	—	2,023,031
Total comprehensive income for the year	—	2,023,031	1,226,429	3,249,460
At 31 March 2022	<u>83,395</u>	<u>(2,737,646)</u>	<u>16,638,353</u>	<u>13,984,102</u>

Included in the fair value movement on cash flow hedging instruments is £1,374,576 (2021: £1,402,256) that was recycled through Interest Payable in the Statement of Comprehensive Income.

The notes on pages 14 to 25 form part of these Financial Statements.

The Edinburgh Schools Partnership Limited

Statement of Cash Flows

Year Ended 31 March 2022

	Note	2022 £	2021 £
Cash generated from operations	18	5,267,099	4,956,068
Interest received		3,821,522	4,105,154
Tax paid		(1,113,558)	(989,184)
Net cash from operating activities		<u>7,975,063</u>	<u>8,072,038</u>
Cash flows from financing activities			
Repayments of borrowings		(3,422,650)	(3,278,328)
Interest paid		(2,319,014)	(2,512,814)
Net cash used in financing activities		<u>(5,741,664)</u>	<u>(5,791,142)</u>
Net increase in cash and cash equivalents		2,233,399	2,280,896
Cash and cash equivalents at beginning of year		11,815,673	9,534,777
Cash and cash equivalents at end of year		<u>14,049,072</u>	<u>11,815,673</u>

The notes on pages 14 to 25 form part of these Annual Report and Financial Statements.

The Edinburgh Schools Partnership Limited

Notes to the Annual Report and Financial Statements

Year Ended 31 March 2022

1. General information

The Edinburgh Schools Partnership Limited ("the Company") is a private company limited by shares and is incorporated and domiciled in Scotland. The address of its registered office is 2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF.

The Company was formed to design, construct, refurbish and provide lifecycle maintenance, facilities management, cleaning and catering to schools within the Edinburgh area over a 30 year period.

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

2. Statement of compliance

The individual financial statements of The Edinburgh Schools Partnership 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

(a) 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 judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment 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.

(b) Going concern

The Company prepares cash flow forecasts covering the expected life of the asset and so including the 12 month period from the date the financial statements are signed. In drawing up these forecasts, the Directors have made assumptions based upon their view of the current and future economic conditions that will prevail over the forecast period. Based on these forecasts the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

In light of this, the Directors continue to adopt the going concern basis of accounting in preparing the Company's annual financial statements

The Edinburgh Schools Partnership Limited

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

Year Ended 31 March 2022

3. Accounting policies *(continued)*

(c) 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 less any impairment losses, 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 compare 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.

ii) Fair values for derivative contracts

Fair values for derivative contracts are based on market-to-market valuations provided by the contract counterparty. Whilst these can be tested for reasonableness, the exact valuation methodology and forecast assumptions for future interest rates or inflation rates are specific to the counterparty.

iii) Service concession contract

Accounting for the service concession contract and finance debtor requires estimation of service margin, finance debtor interest rates and associated amortisation profile which is based on forecast results of the contract.

(d) Revenue recognition

Turnover represents the services' share of the management services income received by the Company for the provision of a PFI asset to the customer. This income is received over the life of the concession period. Management service income is allocated between turnover, finance debtor interest and reimbursement of finance debtor so as to generate a constant rate of return in respect of the finance debtor over the life of the contract.

The Edinburgh Schools Partnership Limited

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

Year Ended 31 March 2022

3. Accounting policies *(continued)*

(e) 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.

ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences 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.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is also recognised on the revaluations of derivative financial instruments, with the movements going through the Statement of Comprehensive Income.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the deferred tax asset or liability.

(f) Finance debtor

The Company has taken the transition exemption in FRS 102 Section 35.10(i) that allows the Company to continue the service concession arrangement accounting policies from previous UK GAAP.

The Company is accounting for the concession asset based on the ability to substantially transfer all the risks and rewards of ownership to the customer, with this arrangement the costs incurred by the Company on the design and construction of the assets have been treated as a finance debtor within these financial statements.

The Edinburgh Schools Partnership Limited

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

Year Ended 31 March 2022

3. Accounting policies *(continued)*

(g) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of six months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

The Company is obligated to keep cash reserves as at the balance sheet date in respect of requirements in the company's funding agreements. This restricted cash balance, which is shown within the "cash at bank and in hand" balance amounts to £12,599,548 (2021: £7,073,782).

(h) Borrowings

Borrowings are recognised at amortised cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the borrowings are recognised in the Statement of Comprehensive Income over the life of the borrowings. Borrowings with maturities greater than twelve months after the reporting date are classified as non-current liabilities.

(i) Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the Statement of Financial Position and the amount of the provision as an expense. Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset.

(j) Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price and subsequently at amortised cost, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Other financial instruments are subsequently measured at fair value, with any changes recognised in the Statement of Comprehensive Income, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income immediately.

The Edinburgh Schools Partnership Limited

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

Year Ended 31 March 2022

3. Accounting policies *(continued)*

Financial instruments *(continued)*

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in the Statement of Comprehensive Income immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised. 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 entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the Statement of Financial Position. Finance costs and gains or losses relating to financial liabilities are included in the Statement of Comprehensive Income. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

(k) Hedge accounting

The Company has entered into an arrangement with third parties that is designed to hedge future cash flows arising on variable rate interest loan arrangements, with the net effect of exchanging the cash flows arising under those arrangements for a stream of fixed interest cash flows ("interest rate swaps").

To qualify for hedge accounting, documentation is prepared specifying the hedging strategy, the component transactions and methodology used for effectiveness measurement. Changes in the carrying value of financial instruments that are designated and effective as hedges of future cash flows ("cash flow hedges") are recognised directly in a hedging reserve in equity and any ineffective portion is recognised immediately in the Statement of Comprehensive Income. Amounts deferred in equity in respect of cash flow hedges are subsequently recognised in the Statement of Comprehensive Income in the same period in which the hedged item affects net profit or loss or the hedging relationship is terminated and the underlying position being hedged has been extinguished.

The UK Financial regulator (the FCA) legislated that sterling LIBOR would cease to be published after 31 December 2021, however, has confirmed it will allow the temporary use of 'synthetic' sterling LIBOR rates in all legacy LIBOR contracts that had not been changed at or ahead of 31 December 2021. As described at Note 12, the Company's borrowings and hedge agreements are linked to LIBOR.

The Company is currently in negotiations with the lender to agree an amendment to both the loan and swap agreement to provide for the replacement of LIBOR, with an interest rate based on the Compounded Reference Rate. The Compounded Reference rate will be SONIA (sterling overnight index average) plus a 5 day credit adjustment spread. The use of the same LIBOR replacement rate for both the loan and swap agreement means that the LIBOR Transition Amendments are materially net cash neutral for the company and that the current hedge effectiveness continues.

The Edinburgh Schools Partnership Limited

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

Year Ended 31 March 2022

4. Turnover

Turnover arises from:

	2022	2021
	£	£
Rendering of services	<u>12,274,695</u>	<u>11,342,790</u>

The whole of the turnover is attributable to the principal activity of the Company wholly undertaken in the United Kingdom.

5. Operating profit

Operating profit or loss is stated after charging:

	2022	2021
	£	£
Fees payable for the audit of the annual report and financial statements	<u>12,242</u>	<u>11,988</u>

Included in the fee above is £2,712 (2021: £2,688) for the audit of the immediate parent entity ESP (Holdings) Limited. In addition to the above audit services the Company also paid £6,705 (2021: £5,892) for non-audit services, of which £1,916 (2021: £1,669) related to the immediate parent entity.

6. Particulars of employees and directors

The average number of persons employed by the Company during the financial year, including the directors, amounted to nil (2021: nil). The directors did not receive any remuneration from the Company during the year (2021: £nil).

7. Interest receivable and similar income

	2022	2021
	£	£
Interest on cash and cash equivalents	22,626	11,923
Finance debtor interest	3,798,896	4,093,231
Gain on financial instruments	<u>686,287</u>	<u>157,105</u>
	<u>4,507,809</u>	<u>4,262,259</u>

8. Interest payable and similar expenses

	2022	2021
	£	£
Interest on bank loans and overdrafts	2,319,014	2,512,814
Interest due to Group undertakings	222,430	214,440
Other interest payable and similar expenses	<u>56,683</u>	<u>57,108</u>
	<u>2,598,127</u>	<u>2,784,362</u>

The Edinburgh Schools Partnership Limited

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

Year Ended 31 March 2022

9. Tax on profit

Major components of tax expense

	2022 £	2021 £
Current tax:		
UK current tax expense	1,061,691	1,213,557
Deferred tax:		
Origination and reversal of timing differences	1,242,967	(485,781)
Tax on profit	2,304,658	727,776

Reconciliation of tax expense

The tax assessed on the profit for the year is higher than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%).

	2022 £	2021 £
Profit before taxation	3,531,087	3,092,640
Profit before taxation by rate of tax	670,907	587,602
Effect of expenses not deductible for tax purposes	262,422	140,174
Effect of change in tax rates	1,371,329	—
Total tax charge	2,304,658	727,776

During the year, as a result of the increase in the UK main corporation tax rate from 19% to 25% that was enacted in May 2021 to take effect from 1 April 2023, the relevant deferred tax balances have been remeasured at 25%. This change has increased the deferred tax liability at the balance sheet date, and so has decreased the profit in the year by £1,371,329.

10. Debtors

Debtors amounts falling due within one year are as follows:

	2022 £	2021 £
Trade debtors	232,589	129,281
Prepayments and accrued income	558,176	508,549
Finance debtor	3,051,236	3,937,401
Other debtors	40,786	27,490
	3,882,787	4,602,721

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

	2022 £	2021 £
Deferred tax asset	945,122	1,266,016
Finance debtor	48,958,319	51,792,692
	49,903,441	53,058,708

The Edinburgh Schools Partnership Limited

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

Year Ended 31 March 2022

10. Debtors *(continued)*

The movement in the finance debtor is analysed as follows:

	2022 £	2021 £
At beginning of year	55,730,093	59,946,095
Repayments	(3,720,538)	(4,216,002)
At end of year	<u>52,009,555</u>	<u>55,730,093</u>

11. Creditors: amounts falling due within one year

	2022 £	2021 £
Bank loans and overdrafts	3,629,859	3,365,967
Trade creditors	1,063,272	1,064,033
Amounts owed to Group undertakings	3,250,311	3,027,881
Accruals and deferred income	801,322	641,747
Corporation tax	285,949	337,816
Taxation and social security	533,880	601,309
	<u>9,564,593</u>	<u>9,038,753</u>

Amounts owed to Group undertakings relate to accrued interest on the subordinated loan notes. The accrued interest is unsecured, repayable on demand and incurs interest at LIBOR plus 2%.

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

	2022 £	2021 £
Bank loans and overdrafts	32,798,189	36,428,048
Amounts owed to Group undertakings	1,202,044	1,202,044
Derivative financial liability	3,723,612	6,580,808
	<u>37,723,845</u>	<u>44,210,900</u>

Included within creditors: amounts falling due after more than one year is an amount of £17,094,216 (2021: £21,640,352) in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

a) The bank loan is secured by a bond and floating charge over all the assets, rights and undertakings of the Company. The loan is repayable under an instalment scheme whereby small repayments are made in the first few years of the loan, the final repayment is due on 30 September 2030. Two loan tranches bear interest at LIBOR plus 0.90% and 0.95% with one fixed rate loan at 5.290% however the Company has an interest rate swap arrangement receiving LIBOR and paying interest fixed at 5.155% and 5.360% for the full amount of the loan drawn, hence fixing the total interest payable on the bank loan at 6.055% and 6.310%. The full amount of loan drawdowns at 31 March 2022 is £36,636,762 (2021: £40,059,412).

The company is currently in discussions with the lenders to replace the LIBOR reference in the loan agreement with SONIA, adjusted for a historic credit adjustment spread.

The Edinburgh Schools Partnership Limited

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

Year Ended 31 March 2022

12. Creditors: amounts falling due after more than one year *(continued)*

b) Amounts owed to Group undertakings - in November 2001 the Company issued £9,742,310 subordinated loan notes to its immediate parent company, ESP (Holdings) Limited, with a further £1,035,373 issued in April 2004 and £5,500,000 issued in December 2016 and repaid in September 2019. The loan notes bear interest of 13.07% per annum and payment of capital falls due in the year 2033. The Coupon on the principal amount accrues daily and is payable in cash on 30 September and 31 March each year. The investment sum was advanced under a subordinated loan agreement and is therefore unsecured, and would rank alongside ordinary creditors in the event of a winding up.

13. Provisions for liabilities

	Deferred tax (note 14) £
At 1 April 2021	5,492,807
Deferred tax	1,069,953
At 31 March 2022	<u>6,562,760</u>

14. Deferred tax

The deferred tax included in the Statement of Financial Position is as follows:

	2022 £	2021 £
Included in debtors (note 10)	945,122	1,266,016
Included in provisions for liabilities (note 13)	<u>(6,562,760)</u>	<u>(5,492,807)</u>
	<u>(5,617,638)</u>	<u>(4,226,791)</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2022 £	2021 £
Accelerated capital allowances	6,562,760	5,492,807
Other short term timing differences	(14,219)	(15,662)
Derivative Financial Instruments	<u>(930,903)</u>	<u>(1,250,354)</u>
	<u>5,617,638</u>	<u>4,226,791</u>

	2021 £
Opening balance	4,226,791
Movement through the profit or loss	1,242,967
Movement through other comprehensive income	147,880
Closing balance	<u>5,617,638</u>

The net deferred tax liability expected to reverse in 2023 is £304,740 (2022: £468,215). This primarily relates to the reversal of timing differences on capital allowances offset by expected utilisation of tax losses and short term timing differences.

The Edinburgh Schools Partnership Limited

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

Year Ended 31 March 2022

15. Financial instruments

The carrying amount for each category of financial instrument is as follows:

	2022 £	2021 £
Financial assets that are debt instruments measured at amortised cost		
Financial assets that are debt instruments measured at amortised cost	<u>52,009,555</u>	<u>55,730,093</u>
Financial liabilities measured at fair value through profit or loss		
Financial liabilities measured at fair value through profit or loss	<u>(3,723,612)</u>	<u>(6,580,808)</u>
Financial liabilities measured at amortised cost		
Financial liabilities measured at amortised cost	<u>(37,838,806)</u>	<u>(41,261,456)</u>

The fair values of the interest rate swap have been calculated by discounting the fixed cash flows at forecasted forward interest rates over the term of the financial instrument. The bank borrowing and finance debtor are both held at amortised cost.

Hedge accounting

Derivatives are financial instruments that derive their value from the price of an underlying item, such as interest rates or other indices. The Company's use of derivative financial instruments is described below.

Interest rate swaps

The Company has entered into two interest rate swaps with third parties for the same notional amount as all of the Company's variable rate borrowings with banks which has the commercial effect of swapping the variable rate interest coupon on those loans for a fixed rate coupon. The bank loans and related interest rate swaps amortise at the same rate over the life of the loan/swap arrangements. The two interest rate swaps were entered into on 15 November 2001 and 6 April 2004 and both expire on 31 March 2031.

The Directors believe that the hedging relationship between the interest rate swaps and related variable rate bank loans is highly effective and as a consequence have concluded that these derivatives meet the definition of a cash flow hedge and have formally designated them as such.

Carrying value of all derivative financial instruments

All of the Company's derivative financial instruments are carried at fair value. The net carrying value of all derivative financial instruments at 31 March 2022 amounted to net liabilities of £3,723,612 (2021: £6,580,808). The effective portion of the movements in the fair value of these derivative financial instruments have been recorded in the cash flow hedge reserve amounting to a credit of £2,170,909 (2021: credit of £1,552,122). The ineffective portion of the movements in the fair value have been recorded in the profit and loss amounting to a credit of £686,287 (2021: credit of £157,105).

The Edinburgh Schools Partnership Limited

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

Year Ended 31 March 2022

16. Called up share capital

Issued, called up and fully paid

	2022		2021	
	No.	£	No.	£
Ordinary shares of £1 each	<u>83,395</u>	<u>83,395</u>	<u>83,395</u>	<u>83,395</u>

17. Reserves

The hedging reserve records fair value movements on cash flow and net investment hedging instruments.

Retained earnings records retained earnings and accumulated losses.

18. Cash generated from operations

	2022	2021
	£	£
Profit for the financial year	1,226,429	2,364,864
<i>Adjustments for:</i>		
Interest receivable and similar income	(4,507,809)	(4,262,259)
Interest payable and similar expenses	2,598,127	2,784,362
Tax on profit	2,304,658	727,776
<i>Changes in:</i>		
Trade and other debtors	3,554,308	4,185,423
Trade and other creditors	91,386	(844,098)
	<u>5,267,099</u>	<u>4,956,068</u>

19. Analysis of changes in net debt

	At 1 Apr 2021	Cash flows	At 31 Mar 2022
	£	£	£
Cash at bank and in hand	11,815,673	2,233,399	14,049,072
Debt due within one year	(6,393,848)	(486,322)	(6,880,170)
Debt due after one year	(37,630,092)	3,629,859	(34,000,233)
	<u>(32,208,267)</u>	<u>5,376,936</u>	<u>(26,831,331)</u>

The Edinburgh Schools Partnership Limited

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

Year Ended 31 March 2022

20. Related party transactions

The Company is wholly owned by ESP (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.

The Company paid £8,148 (2021: £8,903) to PFI Infrastructure Finance Limited and its related entities for the provision of 2 directors.

The Company paid £15,618 (2021: £17,072) to Semperian PPP Investment Partners No.2 Limited for the provision of 2 directors.

The Company paid £9,507 (2021: £10,392) to Palio (No. 19) Limited for the provision of 2 directors.

The Company paid £14,260 (2021: £15,587) to Aberdeen Infrastructure (No. 3) Limited and its related entities for the provision of 2 directors.

21. Controlling party

The immediate and ultimate parent undertaking is ESP (Holdings) Limited, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. The accounts of ESP (Holdings) Limited registered at 2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF can be obtained from the Registrar of Companies.

The directors consider there to be no ultimate controlling party.