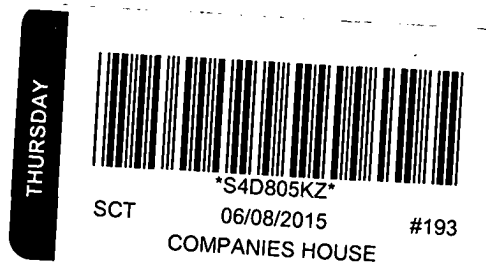


**The Edinburgh Schools Partnership
Limited**

**Annual Report and Financial Statements
For the Year Ended 31 March 2015**

Registered Number SC206930



The Edinburgh Schools Partnership Limited

Financial Statements

Year Ended 31 March 2015

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The Edinburgh Schools Partnership Limited

Company Information

The Board of Directors

D F Gilmour
J M Linney
A C Ritchie
M T Smith
M J M Watson (Resigned 16 January 2015)
C T Solley
BIIF Corporate Services Limited
K A McLellan

Company Secretary

Infrastructure Managers Limited

Registered Office

2nd Floor
11 Thistle Street
Edinburgh
EH2 1DF

Auditors

Ernst & Young LLP
Chartered Accountants and Statutory Auditor
G1 Building
5 George Square
Glasgow
G2 1DY

Bankers

Lloyds Bank Corporate Markets
New Uberior House
Edinburgh
EH3 9BN

The Edinburgh Schools Partnership Limited

Strategic Report

Year Ended 31 March 2015

The directors present their strategic report on the Company for the year ended 31 March 2015.

Principal objectives and strategies

The company's major activity 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. Included within the project are 10 primary, 5 secondary, 3 special needs and 1 community centre.

Review of the business

As the company is in the full operational phase it faces operational risks and actively monitors financial performance against loan covenants. During the year the company was fully compliant with the contractual terms and incurred no penalty points. From a financial perspective the company has been performing well and has been compliant with the covenants laid out in the Common Terms Agreement. The company is also forecasting compliance with the covenants laid out in the Common Terms Agreement for the next 12 months.

The directors expect the future performance of the company to be profitable and in line with the forecasting model.

Future developments

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

Key performance indicators

The FM contractor is subject to deductions based on performance this is then passed through as a credit to the council on a monthly basis. There have been minimal deductions during the financial year ended 31 March 2015. All deductions have been passed through from customer to supplier.

Principal risk and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The principal risk and uncertainties facing the company are: interest rate risk, credit and liquidity risk, as detailed below:

Interest Rate Risk

Interest rate risk is the risk that an entity will encounter difficulty in meeting interest payment obligations associated with financial liabilities. Bank loans have been hedged via swaps entered into at the date of financial closure. Swaps result in 100% of outstanding Senior Debt being fixed. Subordinated debt is at a fixed rate of 13.07%.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause financial loss for that other party by failing to discharge an obligation. The only financial instruments entered into during the year comprise trade debtors and trade creditors. All creditors and debtors are monitored on a monthly basis.

The Edinburgh Schools Partnership Limited

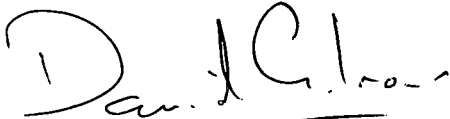
Strategic Report *(continued)*

Year Ended 31 March 2015

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Common Terms Agreement states that certain debt cover ratios must be met and reviewed every six months via a model update. If these ratios are not met for the following eight six month periods the subordinated debt remains unpaid until the bank release the company from 'lock up'.

Signed on behalf of the Board



.....
D F Gilmour

on 24 July 2015

The Edinburgh Schools Partnership Limited

Directors' Report

Year Ended 31 March 2015

The directors present their report and the financial statements of the Company for the year ended 31 March 2015.

Results and dividends

The profit for the year, after taxation, amounted to £1,877,580 (2014: profit £3,384,489). Particulars of dividends paid are detailed in note 8 to the financial statements.

The result for the year will be transferred to reserves.

Financial instruments

The Company has no significant financial instruments.

Directors

The directors who served the Company during the year and up to the date of this report are listed on page 1.

Auditor

Ernst & Young LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Registered office:
2nd Floor
11 Thistle Street
Edinburgh
EH2 1DF

Signed by order of the directors



Infrastructure Managers Limited
Company Secretary

Approved by the directors on 24 July 2015

The Edinburgh Schools Partnership Limited

Statement of Directors' Responsibilities

Year Ended 31 March 2015

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

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

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 to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors' responsibilities were approved by the board on 24 July 2015 and signed on its behalf by:



DF Gilmour

The Edinburgh Schools Partnership Limited

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

We have audited the financial statements of The Edinburgh Schools Partnership Limited for the year ended 31 March 2015. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's Members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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. 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

The Edinburgh Schools Partnership Limited

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

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

Walter Campbell (Senior Statutory Auditor)
For and on behalf of
Ernst & Young LLP, Statutory Auditor
Chartered Accountants
G1 Building
5 George Square
Glasgow
G2 1DY

25/7/2015
.....

The Edinburgh Schools Partnership Limited

Profit and Loss Account

Year Ended 31 March 2015

	Note	2015 £	2014 £
Turnover	2	11,059,208	10,388,111
Cost of sales		<u>(8,161,550)</u>	<u>(7,642,379)</u>
Gross profit		2,897,658	2,745,732
Administrative expenses		<u>(1,599,106)</u>	<u>(1,387,917)</u>
Operating profit	3	1,298,552	1,357,815
Interest receivable	5	5,180,902	5,335,064
Interest payable and similar charges	6	<u>(3,927,150)</u>	<u>(4,251,767)</u>
Profit on ordinary activities before taxation		2,552,304	2,441,112
Tax on profit on ordinary activities	7	<u>(674,724)</u>	943,377
Profit for the financial year		<u>1,877,580</u>	<u>3,384,489</u>

All of the activities of the Company are classed as continuing.

The Company has no recognised gains and losses other than those included in the profit above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents.

The notes on pages 10 to 16 form part of these financial statements.

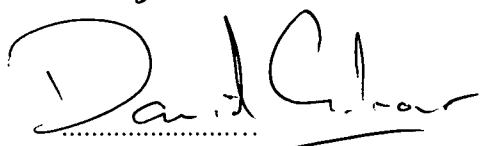
The Edinburgh Schools Partnership Limited

Balance Sheet

As at 31 March 2015

	Note	2015 £	2014 £
Current assets			
Debtors due within one year	9	740,667	580,008
Debtors due after one year	9	71,449,235	73,813,794
Cash at bank		12,138,659	12,096,762
		<u>84,328,561</u>	<u>86,490,564</u>
Creditors: Amounts falling due within one year	10	<u>(6,337,722)</u>	<u>(6,011,480)</u>
Net current assets		<u>77,990,839</u>	<u>80,479,084</u>
Total assets less current liabilities		<u>77,990,839</u>	<u>80,479,084</u>
Creditors: Amounts falling due after more than one year	11	(55,494,189)	(59,621,808)
Provisions for liabilities			
Deferred taxation	13	(6,141,086)	(5,865,763)
Other provisions	14	(5,939,103)	(5,394,102)
		<u>10,416,461</u>	<u>9,597,411</u>
Net assets		<u>10,416,461</u>	<u>9,597,411</u>
Capital and reserves			
Share capital	15	83,395	83,395
Profit and loss account	16	10,333,066	9,514,016
Equity shareholders' funds	17	<u>10,416,461</u>	<u>9,597,411</u>

These accounts on pages 8 to 16 were approved by the directors and authorised for issue on 24 July 2015, and are signed on their behalf by:



.....
D F Gilmore

Company Registration Number: SC206930

The notes on pages 10 to 16 form part of these financial statements.

The Edinburgh Schools Partnership Limited

Notes to the Financial Statements

Year Ended 31 March 2015

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below.

Basis of preparation

The accounts have been prepared under the historical cost accounting rules and in accordance with applicable Accounting Standards. The accounts have been prepared on the going concern basis as the financial projections indicate that sufficient funds will be generated to allow ongoing obligations to be met as they fall due.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the Company is wholly owned and its parent publishes a consolidated cash flow statement.

Turnover

Management service income is received by the Company for the provision of a PFI asset to the customer over the life of the concession period and 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. Turnover represents the services share of the management services income.

Deferred taxation

Deferred tax is fully provided on timing differences recognised by the balance sheet date when the Company has an obligation to pay more or less tax in the future as a result of these timing differences. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. The Company has not adopted a policy of discounting deferred tax assets and liabilities, as permitted by FRS 19 (Deferred Tax).

Finance debtor

Costs incurred in the construction of subsidiaries' assets have been accounted for under FRS 5 Application Note F.

When applying the guidance within the Application Note it indicates that the project's principal agreements transfer substantially all the risks and rewards of ownership to the customer, 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 Financial Statements

Year Ended 31 March 2015

1. Accounting policies *(continued)*

Taxation

The tax expense represents the sum of current tax expense and deferred tax expense. Current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2. Turnover

The turnover and profit before tax are attributable to the one principal activity of the Company. An analysis of turnover is given below:

	2015	2014
	£	£
United Kingdom	<u>11,059,208</u>	<u>10,388,111</u>

3. Operating profit

Operating profit is stated after charging:

	2015	2014
	£	£
Auditors' remuneration - as auditor	<u>12,750</u>	<u>12,750</u>

4. Particulars of employees and directors

The average number of persons employed by the company during the financial year, including the directors, amounted to nil (2014: nil). The directors did not receive any remuneration from the Company during the year (2014: £nil).

5. Interest receivable

	2015	2014
	£	£
Bank interest receivable	86,433	80,944
Finance debtor interest	<u>5,094,469</u>	<u>5,254,120</u>
	<u>5,180,902</u>	<u>5,335,064</u>

The Edinburgh Schools Partnership Limited

Notes to the Financial Statements

Year Ended 31 March 2015

6. Interest payable and similar charges

	2015	2014
	£	£
Interest payable on bank borrowing	3,647,252	3,876,777
Interest on other loans	226,439	316,888
Other similar charges	53,459	58,102
	<u>3,927,150</u>	<u>4,251,767</u>

7. Taxation on ordinary activities

(a) Analysis of charge in the year

	2015	2014
	£	£
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 21% (2014 - 23%)	412,581	202,616
Over provision in prior year	(13,180)	(19,463)
Total current tax	<u>399,401</u>	<u>183,153</u>
Deferred tax:		
Origination and reversal of timing differences	263,862	(1,126,530)
Adjustment in respect of previous years:		
Deferred tax	11,461	-
Total deferred tax (note 13)	<u>275,323</u>	<u>(1,126,530)</u>
Tax on profit on ordinary activities	<u>674,724</u>	<u>(943,377)</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 21% (2014 - 23%).

	2015	2014
	£	£
Profit on ordinary activities before taxation	<u>2,552,304</u>	<u>2,441,112</u>
Profit on ordinary activities by rate of tax	535,984	561,456
Expenses not deductible for tax purposes	154,930	169,685
Capital allowances for period in excess of depreciation	107,832	(409,023)
Utilisation of tax losses	(386,165)	(119,502)
Adjustments to tax charge in respect of previous periods	(13,180)	(19,463)
Total current tax (note 7(a))	<u>399,401</u>	<u>183,153</u>

The Edinburgh Schools Partnership Limited

Notes to the Financial Statements

Year Ended 31 March 2015

7. Taxation on ordinary activities *(continued)*

(c) Factors that may affect future tax charges

It was announced in the Summer Budget in July 2015 that the corporation tax rate will reduce to 19% from 1 April 2017 and to 18% from 1 April 2020; however these have not yet been substantively enacted. The deferred tax liability in the accounts is recognised at 20%, as this is the rate substantively enacted at the balance sheet date. The reduction in the rate of corporation tax to 19% and 18% would decrease this liability by £307,054 and £614,109 respectively.

8. Dividends

Equity dividends

	2015 £	2014 £
Paid during the year:		
Interim dividend of £12.69 (2014: £9.60) per ordinary share	<u>1,058,530</u>	<u>800,542</u>

9. Debtors

	2015 £	2014 £
Trade debtors	132,260	81,735
Finance debtor	71,449,235	73,813,794
Prepayments and accrued income	608,407	498,273
	<u>72,189,902</u>	<u>74,393,802</u>

The debtors above include the following amounts falling due after more than one year:

	2015 £	2014 £
Finance debtor	<u>71,449,235</u>	<u>73,813,794</u>

10. Creditors: Amounts falling due within one year

	2015 £	2014 £
Bank loans	3,787,302	3,723,417
Trade creditors	852,322	758,398
Amounts owed to group undertakings	340,000	360,000
Corporation tax	356,223	218,207
Other taxation	517,970	543,337
Other creditors	35,858	20,045
Accruals and deferred income	448,047	388,076
	<u>6,337,722</u>	<u>6,011,480</u>

The Edinburgh Schools Partnership Limited

Notes to the Financial Statements

Year Ended 31 March 2015

11. Creditors: Amounts falling due after more than one year

	2015	2014
	£	£
Bank loans	54,291,823	58,079,125
Amounts owed to group undertakings	1,202,366	1,542,683
	<u>55,494,189</u>	<u>59,621,808</u>

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 full amount of loan drawdown at 31 March 2015 is £58,334,459 (2014: £62,711,335). Issue costs of £855,334 (2014: £908,793) have been set off against the total loan drawdowns in accordance with FRS 4.

b) 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. 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.

12. Creditors - capital instruments

Creditors include loans which are due for repayment as follows:

	2015	2014
	£	£
Amounts repayable:		
In one year or less or on demand	4,180,760	4,136,876
In more than one year but not more than two years	3,454,353	4,180,760
In more than two years but not more than five years	8,301,605	8,919,297
In more than five years	44,540,107	47,377,085
	<u>60,476,825</u>	<u>64,614,018</u>
Unamortised loan issue expenses	855,334	908,793
	<u>59,621,491</u>	<u>63,705,225</u>

13. Deferred taxation

The movement in the deferred taxation provision during the year was:

	2015	2014
	£	£
Provision brought forward	5,865,763	6,992,293
Profit and loss account movement arising during the year	275,323	(1,126,530)
Provision carried forward	<u>6,141,086</u>	<u>5,865,763</u>

The Edinburgh Schools Partnership Limited

Notes to the Financial Statements

Year Ended 31 March 2015

13. Deferred taxation *(continued)*

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2015	2014
	£	£
Excess of taxation allowances over depreciation on fixed assets	7,186,144	7,264,010
Tax losses available	(1,045,058)	(1,398,247)
	<u>6,141,086</u>	<u>5,865,763</u>

14. Other provisions

	2015
	£
Lifecycle provision:	
Balance brought forward	5,394,102
Movement for year	545,001
	<u>5,939,103</u>

The lifecycle provision relates to maintaining the schools to their contractual specification. This work is subcontracted out but over a 30 year period and represents the maximum amount that can be claimed at the balance sheet date for all maintenance work to date.

15. Share capital

Allotted, called up and fully paid:

	2015		2014	
	No	£	No	£
Ordinary shares of £1 each	<u>83,395</u>	<u>83,395</u>	<u>83,395</u>	<u>83,395</u>

16. Profit and loss account

	2015	2014
	£	£
Balance brought forward	9,514,016	6,930,069
Profit for the financial year	1,877,580	3,384,489
Equity dividends	(1,058,530)	(800,542)
Balance carried forward	<u>10,333,066</u>	<u>9,514,016</u>

The Edinburgh Schools Partnership Limited

Notes to the Financial Statements

Year Ended 31 March 2015

17. Reconciliation of movements in shareholders' funds

	2015	2014
	£	£
Profit for the financial year	1,877,580	3,384,489
Equity dividends	(1,058,530)	(800,542)
Net addition to shareholders' funds	819,050	2,583,947
Opening shareholders' funds	9,597,411	7,013,464
Closing shareholders' funds	10,416,461	9,597,411

18. Related party disclosures

The directors have considered the provisions contained within FRS 8 and are satisfied that there are no further disclosures required.

Disclosure of related party transactions that the Directors have with the group which is consolidated at ESP (Holdings) Limited are included in the accounts of that entity.

19. Ultimate parent company

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.