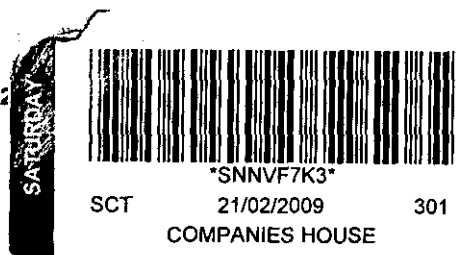


SC206930

The Edinburgh Schools Partnership Limited

DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 March 2008

Registered Number: SC2



DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2008

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DIRECTORS AND ADVISORS

Directors

M T Smith
J C Elliot
D B Marshall
N Smith (resigned 01/12/07)
J M Linney
I R Gethin
M A Donn
J K Love (resigned 19/11/07)
C Easton (appointed 19/11/07)
K A McLellan

Company secretary and registered office

R Miller
Lochside House
3 Lochside Way
Edinburgh
EH12 9DT

Auditors

Ernst & Young
George House
50 George Square
Glasgow
G2 1RR

Principal bankers

HBoS
Edinburgh Branch
New Uberior House
Edinburgh
EH3 9BN

Directors' Report

The Directors present their report and audited accounts for the year ended 31 March 2008.

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. Included within the project are 10 primary, 5 secondary, 3 special and 1 community centre.

The project has settled into its operational stage, with all construction works now complete.

Many of the commercial and contractual issues which existed during the implementation stage of the project have been resolved and concluded and the company is now operating in a good working partnership.

ESP, with its service providers, continually strives to improve the education support service which it provides to the City of Edinburgh Council.

As at 31 March 2008 the ESP consortium is comprised of John Laing Social Infrastructure, Trillium PPP Investment Partners No. 2 Limited, Uberior Infrastructure Investments Ltd, PFI Infrastructure Finance Limited.

Results for the Period

The results for the period are set out in the attached profit and loss account. The profit for the period of £2,162,000 (2007 – profit of £1,108,000) has been transferred to reserves.

The company's principal financial instruments comprise of cash and cash equivalents, bank and shareholder loans. Other financial assets such as trade creditors and debtors arise directly from the operating activities.

Interest Rate Risk

Bank loans have been hedged via swaps entered into at the date of financial closure. Swaps result in 90% of outstanding Senior Debt being fixed, with the remaining 10% at a variable rate. Subordinated debt is at a fixed rate of 13.07%.

Credit Risk

All creditors and debtors are monitored on a monthly basis.

Liquidity Risk

The common terms agreement states that certain debt cover ratios must be covered 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'.

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 2007/08. All deductions have been passing through from customer to supplier.

Auditors

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

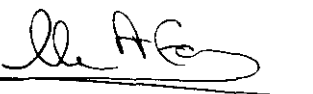
Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquires of fellow directors and of the company's auditors, each of these directors confirms that:

To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and

Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

By order of the board



Director

27th November 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the Directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company and, of the profit or loss for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' report which complies with the Companies Act 1985.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE EDINBURGH SCHOOLS PARTNERSHIP LIMITED

We have audited the company's financial statements for the year ended 31 March 2008 which comprise Profit and Loss Account, Balance Sheet, Cash Flow Statement, Statement of Total Recognised Gains and Losses and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors

The directors' responsibilities for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

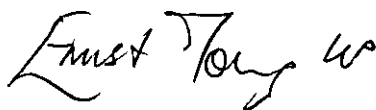
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



Ernst & Young LLP
Registered auditor
Glasgow
27th November 2008

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 March 2008

	Notes	2008 £'000	2007 £'000
Turnover	1, 2	7,869	8,815
Cost of sales		(6,896)	(6,411)
Gross Profit		<u>973</u>	<u>2,404</u>
Administrative expenses		(710)	(1,067)
Operating Profit	3	<u>263</u>	<u>1,337</u>
Interest receivable	6	7,509	7,329
Interest payable	7	(6,150)	(5,984)
Profit on ordinary activities before taxation		<u>1,622</u>	<u>2,682</u>
Tax on profit on ordinary activities	8	540	(1,574)
Retained profit for the year transferred to reserves	17	<u>2,162</u>	<u>1,108</u>

A reconciliation of movements in equity shareholders' funds is given in note 18


Statement of total recognised gains and losses

There are no recognised gains and losses other than the profit for the year of £2,162,000 (2007 £1,108,000)

BALANCE SHEET AS AT 31 March 2008

	Notes	2008 £'000	2007 £'000
Current assets			
Amounts falling due within one year	9	525	456
Amounts falling due after one year	9	89,121	91,684
Cash at bank and in hand		10,144	7,290
		<u>99,790</u>	<u>99,430</u>
Current liabilities			
Creditors: amounts falling due within one year	10	(6,977)	(5,287)
		<u>92,813</u>	<u>94,143</u>
Net current assets			
		92,813	94,143
Total assets less current liabilities			
		92,813	94,143
Creditors: amounts falling due after more than one year	11	(82,351)	(85,972)
Deferred Tax	13	(6,965)	(6,942)
Provisions for liabilities and charges	13	(297)	(191)
		<u>3,200</u>	<u>1,038</u>
Net assets			
		3,200	1,038
Capital and reserves			
Called up share capital	16	83	83
Profit and loss account	17	3,117	955
		<u>3,200</u>	<u>1,038</u>
Equity shareholders' funds			
	18	3,200	1,038

The financial statements were approved by the Board of Directors on 27th November 2008 and were signed on its behalf by:


 Director
 27th November 2008

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 March 2008

	Notes	2008 £'000	2007 £'000
Net cash inflow from operating activities	20	2,936	435
Capital expenditure and financial investment			
Purchase of assets for use in finance lease		11	137
Returns on investments and servicing of finance			
Interest received		885	435
Finance Debtor Interest received		6,624	7,764
Interest and other financing costs paid		(5,190)	(5,984)
Net cash outflow from returns on investments and servicing of finance		<u>2,319</u>	<u>2,215</u>
Taxation			
Sale of tax losses		733	-
Corporation Tax		(77)	-
Net cash inflow before use of liquid resources and financing		5,922	2,787
Financing			
Increase in bank borrowings		-	-
Loan repayments		(3,067)	(4,105)
Net cash outflow from financing		<u>(3,067)</u>	<u>(4,105)</u>
(Decrease)/increase in cash in the year	21	<u>2,855</u>	<u>(1,318)</u>
Reconciliation to net debt			
Net debt at 1 April		(82,624)	(85,411)
(Decrease)/increase in cash in the year		2,855	(1,318)
Movement in borrowings		3,067	4,105
Net debt at 31 March	21	<u>(76,702)</u>	<u>(82,624)</u>

Notes to the financial statements at 31 March 2008

1 ACCOUNTING POLICIES

a) Basis of preparation of accounts

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.

b) Turnover

Turnover represents the value of work done and services rendered, excluding sales related taxes. All turnover originates in the United Kingdom.

The company recognises income when it has fully fulfilled its contractual obligations. In accordance with Financial Reporting Standard 5 - Application Note G, the company includes sales and purchase transactions related to variations under the original contract where the benefits and risks are retained by the company, within the financial statements as turnover and operating costs.

Transactions to which the company does not have access to all the significant benefits are risks and excluded from the financial statements.

c) Finance debtor

In accordance with Financial Reporting Standard (FRS) 5 Application Note F the costs incurred in building the Edinburgh Schools have been treated as a finance debtor. This treatment arose from applying guidance with the Application Note which indicated that the project's principal agreements transfer substantially all the risks and rewards relating to the property to the customer.

Refer to note 1b. The costs of bringing the assets into use have been capitalised and reclassified as a finance debtor. A constant proportion of the planned net revenue arising from the project is being allocated to remunerate the finance debtor. Imputed interest receivable is allocated to the finance debtor using a property specific rate to generate a constant rate of return over the life of the contract. Over the course of the contract term the finance debtor is expected to be fully repaid.

d) Finance debtor and income recognition

Upon the asset becoming operational, the costs are transferred to the finance debtor. During the operational phase, income is allocated between interest receivable and turnover using a constant operating margin on costs. The remainder of the PFI income will be allocated to the finance debtor.

e) Deferred Tax

Deferred tax is recognised in respect of all timings differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax

Deferred tax is measured on undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse based on tax rates and laws enacted or substantially enacted at the balance sheet date.

f) Corporation Tax

A number of changes to the UK Corporation Tax system were announced as part of the March 2007 budget statement. Certain of these changes were substantively enacted in the 2007 Finance Act on 26 June 2007. The impact of the changes has been recognised in these financial statements.

Certain other changes are expected to be enacted in the Finance Act 2008. The impact of these changes will be recognised in the period in which the Finance Act 2008 is substantively enacted, which is expected to be in the year to 31 March 2009.

g) Operating Leases

Rentals applicable to operating lease where substantially all of the benefits and risks of ownership remain with the lessor are charged against the profits on a straight line basis over the term of the lease.

The Edinburgh Schools Partnership Limited

Notes to the financial statements at 31 March 2008 (continued)

2 TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties. Turnover is attributable to one continuing activity, being the provision of construction, refurbishment, facilities management and catering.

3 OPERATING PROFIT

	2008	2007
	£'000	£'000
Operating profit is stated after charging:		
Auditors' remuneration	19	24
Operating leases land and buildings	24	30
	24	30

4 DIRECTORS' REMUNERATION

No Directors received any remuneration for services to the Company during the current or prior year. The Company is managed by seconded employees from the shareholder John Laing Social Infrastructure.

5 STAFF NUMBERS

The Company had no employees during the year (2007 - nil)

6 INTEREST RECEIVABLE

	2008	2007
	£'000	£'000
Interest receivable and similar income		
Interest receivable on finance debtor	6,624	6,894
Interest receivable on bank deposits	885	435
	7,509	7,329

7 INTEREST PAYABLE

	2008	2007
	£'000	£'000
Interest payable and similar charges		
Sub Debt Interest	811	910
Loan Interest	5,276	5,062
Other Interest	22	12
Amortised Debt Issue Costs	41	-
Interest payable on bank loans	6,150	5,984

Notes to the financial statements at 31 March 2008 (continued)

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2008	2007
	£000	£000
<u>Analysis of charge for the year</u>		
Current tax		
UK corporation tax	-	-
Adjustments in respect of previous periods		
- UK corporation tax	-	(77)
- Group relief - amounts received for the sale of tax losses	563	-
Total current tax	<u>563</u>	<u>(77)</u>
Deferred tax		
Origination and reversal of timing differences	(23)	(1,497)
Total deferred tax	<u>(23)</u>	<u>(1,497)</u>
Total tax credit/(charge) on profit on ordinary activities	<u>540</u>	<u>(1,574)</u>
<i>Factors affecting the tax charge for the current year</i>		

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2008	2007
	£'000	£'000
Profit on ordinary activities before tax	<u>1,622</u>	<u>2,682</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2007 - 30%)	(487)	(805)
Effects of:		
Items disallowed for tax purposes	(32)	(769)
Capital allowances in excess of amortisation	55	1,497
Change in rate of tax	464	-
Group relief	-	a
Adjustments to tax charge in respect of previous periods	563	-
Total current tax credit/(charge) for the year	<u>563</u>	<u>(77)</u>

9 DEBTORS

	2008	2007
	£'000	£'000
<u>Due within one year:</u>		
Trade debtors	121	121
Other debtors	-	-
Prepayments and accrued income	404	335
	<u>525</u>	<u>456</u>
<u>Due after more than one year:</u>		
Finance debtor	<u>89,121</u>	<u>91,684</u>

Notes to the financial statements at 31 March 2008 (continued)

10 CREDITORS

	2008 £'000	2007 £'000
Amounts falling due within one year		
Trade creditors	529	700
Corporation tax	-	77
Other taxes	300	155
Other creditors	341	171
Accruals	1,269	242
Current instalments due on bank loans:		
£10,777,683 subordinated loan at fixed rate repayable in instalments commencing September 2004	550	800
£36,510,000, repayable in instalments commencing August 2003	1,470	1,431
£33,540,379, repayable in instalments commencing August 2003	1,529	973
£33,252,521, repayable in instalments commencing August 2003	1,031	738
Less: Amortised Debt Issue Costs	(42)	
	<u>6,977</u>	<u>5,287</u>

11 CREDITORS: amounts falling due after one year

	2008 £'000	2007 £'000
Wholly repayable within five years:		
None	-	-
Not wholly repayable within five years:		
£10,777,683 subordinated loan at fixed rate repayable in instalments commencing September 2004	5,593	6,393
£36,510,00 bank loan at fixed rate, repayable in instalments commencing August 2003	29,392	30,684
£33,540,379 bank loan at fixed rate, repayable in instalments commencing August 2003	28,057	27,793
£33,252,521 bank loan at fixed rate, repayable in instalments commencing August 2003	25,019	25,044
	<u>88,061</u>	<u>89,914</u>
Less: included in creditors, amounts falling due within	(4,538)	(3,942)
Less: Amortised Debt Issue Costs	(1,172)	-
	<u>82,351</u>	<u>85,972</u>
The maturity of debt is as follows:		
In one year or less or on demand	4,581	3,942
Between one and two years	3,514	3,705
Between two and five years	11,173	10,719
In five years or more	68,793	71,548
	<u>88,061</u>	<u>89,914</u>
Less: Amortised Debt Issue Costs	(1,214)	-
	<u>86,847</u>	<u>89,914</u>

Notes to the financial statements at 31 March 2008 (continued)

12 LOANS

Bank loans have been hedged via swaps entered into at the date of financial close. Swaps resulted in 100% of outstanding Senior Debt tranche A being fixed at 5.215% and 100% of the outstanding Senior Debt tranche B being fixed at 5.26%.

Subordinated Loan interest is fixed at 13.07%.

13 PROVISIONS FOR LIABILITIES AND CHARGES

	Lifecycle £'000	Deferred Tax £'000
At 1 April 2007	191	6,942
Increase during the year	106	23
At 31 March 2008	<u>297</u>	<u>6,965</u>

The lifecycle provision relates to maintaining the schools to their contractual specification. This work is subcontracted out 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

During the year, as a result of the change in the UK corporation tax rates, deferred tax has been remeasured. Deferred tax balances relating to temporary differences which will reverse after 1 April 2008 are calculated at 28% being the rate of tax that is expected to apply on the reversal.

14 OBLIGATIONS UNDER OPERATING LEASES

At 31 March 2008 the company had annual commitments under non-cancellable operating leases, relating to land and buildings, as follows:

	2008 £'000	2007 £'000
Operating Leases which expire: Within one year	<u>22</u>	<u>30</u>

15 CAPITAL COMMITMENTS

There are no capital commitments at the year end (2007 - £nil)

The Company has entered into the following other financial commitments:

- With Amey Business Services Limited to provide facilities management, lifecycle, maintenance, cleaning and catering services to the project for the duration of the contract. Payments due in the next financial year amounts to £3,689,000. This amount is indexed annually until 1 April 2030.

Notes to the financial statements for the year ended 31 March 2008 (continued)

16 CALLED UP SHARE CAPITAL

	2008 £000	2007 £000
Authorised:		
100,000 Ordinary Shares of £1 each	<u>100</u>	<u>100</u>
	£'000	£'000
Allotted, called up and partly paid:		
83,000 Ordinary Shares of £1 each	<u>83</u>	<u>83</u>

17 MOVEMENT IN RESERVES

	Profit and loss account £'000
At 1 April 2007	955
Retained profit for the year	2,162
At 31 March 2008	<u>3,117</u>

18 RECONCILIATION TO SHAREHOLDERS' FUNDS

	2008 £'000	2007 £'000
Opening equity shareholders'	1,038	(70)
Profit for the financial year	2,162	1,108
Closing equity shareholders' funds/(deficit)	<u>3,200</u>	<u>1,038</u>

19 TRANSACTIONS WITH RELATED PARTIES

During the year, the company purchased services in the normal course of business from the shareholders of ESP Holdings Limited, the ultimate holding company (see note 22), in the following amounts:

	2008 £000	2007 £000
John Laing Social Infrastructure Limited	593	911
Bank of Scotland	4,674	7,257
Quayle Munro PFI Fund Limited Partnership	292	375
Trillium PPP UK Limited	535	723

John Laing Social Infrastructure Limited provides seconded staff and the services of 2 directors. Subordinated loan notes outstanding as at 31 March 2008 £1,118,537.

Services purchased from the Bank of Scotland are loan interest, fees and the services of 2 directors. Subordinated loan notes outstanding as at 31 March 2008 £1,677,771. Interest received as at 31st March 2008 £855,000.

PFI Infrastructure Finance Limited provided the service of 2 directors. Subordinated loan notes outstanding as at 31 March 2008 £958,793.

Trillium PPP UK Limited provided the services of 2 directors. Subordinated loan notes outstanding as at 31 March 2008 £1,837,582.

Notes to the financial statements at 31 March 2008 (continued)

20 RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2,008	2007
	£'000	£'000
Operating Profit	263	1,337
Allocation of unitary charge to finance debtor less interest	(7,280)	(8,080)
Received from unitary charge less finance debtor interest	9,899	7,840
(Increase) in debtors	(69)	901
Increase in creditors	122	(1,563)
	<u>2,936</u>	<u>435</u>

21 RECONCILIATION OF MOVEMENT IN NET DEBT

	At 31 March 2007 £'000	Cash Flow £'000	At 31 March 2008 £'000
Cash at Bank and in hand	7,290	2,854	10,144
Loans	(89,914)	3,067	(86,847)
	<u>(82,624)</u>	<u>5,921</u>	<u>(76,703)</u>

22 ULTIMATE PARENT UNDERTAKING

The company is a wholly owned subsidiary of ESP (Holdings) Limited, company number SC206929. The accounts of ESP (Holdings) Limited registered at Lochside House, 3 Lochside Way, Edinburgh Park, Edinburgh, EH12 9DT can be obtained from the Registrar of Companies.