

**The Edinburgh Schools Partnership  
Limited**

**Annual Report and Financial Statements**

**For the Year Ended 31 March 2014**

**Registered Number SC206930**



# **The Edinburgh Schools Partnership Limited**

## **Financial Statements**

**Year Ended 31 March 2014**

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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 JM Watson  
CT Solley  
BIF Corporate Services Limited  
KA 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 2014**

The directors present their strategic report on the Company for the year ended 31 March 2014.

#### **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 2014. 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)*

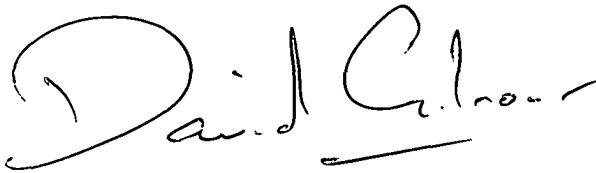
Year Ended 31 March 2014

### *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 by order of the directors

Approved by the directors on ..... 23 Oct 2014

A handwritten signature in black ink that reads "David Gilmour". The signature is written in a cursive style with a large initial 'D' and a horizontal line under the name.

D F GILMOUR

# The Edinburgh Schools Partnership Limited

## Directors' Report

### Year Ended 31 March 2014

The directors present their report and the financial statements of the Company for the year ended 31 March 2014.

### Results and dividends

The profit for the year amounted to £3,384,489 (2013: profit £2,055,376). 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 23 October 2014

# The Edinburgh Schools Partnership Limited

## Statement of Directors' Responsibilities

Year Ended 31 March 2014

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 <sup>23 Oct 2014</sup> ..... and signed on its behalf by:

  
.....  
D F 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 2014. 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 2014 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  
Glasgow

*24/10/2014*  
.....

# The Edinburgh Schools Partnership Limited

## Profit and Loss Account

Year Ended 31 March 2014

	Note	2014 £	2013 £
<b>Turnover</b>	2	10,388,111	9,567,978
Cost of sales		(7,642,379)	(6,529,292)
<b>Gross profit</b>		2,745,732	3,038,686
Administrative expenses		(1,387,917)	(2,020,403)
<b>Operating profit</b>	3	1,357,815	1,018,283
Interest receivable	5	5,335,064	5,604,684
Interest payable and similar charges	6	(4,251,767)	(4,476,172)
<b>Profit on ordinary activities before taxation</b>		2,441,112	2,146,795
Tax on profit on ordinary activities	7	943,377	(91,419)
<b>Profit for the financial year</b>		3,384,489	2,055,376

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.

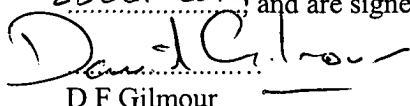
# The Edinburgh Schools Partnership Limited

## Balance Sheet

As at 31 March 2014

	Note	2014 £	2013 £
<b>Current assets</b>			
Debtors due within one year	9	580,008	473,593
Debtors due after one year	9	73,813,794	76,222,336
Cash at bank		12,096,762	11,317,288
		<u>86,490,564</u>	<u>88,013,217</u>
<b>Creditors: Amounts falling due within one year</b>	10	<u>(6,011,480)</u>	<u>(5,638,938)</u>
<b>Net current assets</b>		<u>80,479,084</u>	<u>82,374,279</u>
<b>Total assets less current liabilities</b>		<u>80,479,084</u>	<u>82,374,279</u>
<b>Creditors: Amounts falling due after more than one year</b>	11	(59,621,808)	(63,647,441)
<b>Provisions for liabilities</b>			
Deferred taxation	13	(5,865,763)	(6,992,293)
Other provisions	14	(5,394,102)	(4,721,081)
		<u>9,597,411</u>	<u>7,013,464</u>
<b>Net assets</b>		<u>9,597,411</u>	<u>7,013,464</u>
<b>Capital and reserves</b>			
Share capital	15	83,395	83,395
Profit and loss account	16	9,514,016	6,930,069
<b>Equity shareholders' funds</b>	17	<u>9,597,411</u>	<u>7,013,464</u>

These accounts on pages 8 to 16 were approved by the directors and authorised for issue on 23 Oct 2014 and are signed on their behalf by:



D F Gilmour

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 2014**

#### **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**

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.

##### **Deferred taxation**

Deferred tax is recognised in respect of all timing 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 assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from the future reversal of the underlying timing differences can be deducted.

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.

# The Edinburgh Schools Partnership Limited

## Notes to the Financial Statements

### Year Ended 31 March 2014

#### 1. Accounting policies *(continued)*

##### 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. 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.

##### 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.

##### 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.

#### 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:

	2014	2013
	£	£
United Kingdom	<u>10,388,111</u>	<u>9,567,978</u>

#### 3. Operating profit

Operating profit is stated after charging:

	2014	2013
	£	£
Auditors' remuneration - as auditor	<u>12,750</u>	<u>12,275</u>

#### 4. Particulars of employees and directors

The Directors did not receive any remuneration from the Company during the year (2013: £nil). There were no employees in the financial year (2013: nil).

# The Edinburgh Schools Partnership Limited

## Notes to the Financial Statements

Year Ended 31 March 2014

### 5. Interest receivable

	2014	2013
	£	£
Bank interest receivable	80,944	176,706
Finance debtor interest	5,254,120	5,427,978
	<u>5,335,064</u>	<u>5,604,684</u>

### 6. Interest payable and similar charges

	2014	2013
	£	£
Interest payable on bank borrowing	3,876,777	4,015,209
Interest on other loans	316,888	416,841
Other similar charges	58,102	44,122
	<u>4,251,767</u>	<u>4,476,172</u>

### 7. Taxation on ordinary activities

#### (a) Analysis of charge in the year

	2014	2013
	£	£
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 23% (2013 - 24%)	202,616	74,317
Over/under provision in prior year	(19,463)	-
Total current tax	<u>183,153</u>	<u>74,317</u>
Deferred tax:		
Origination and reversal of timing differences	(1,126,530)	17,102
Tax on profit on ordinary activities	<u>(943,377)</u>	<u>91,419</u>

# The Edinburgh Schools Partnership Limited

## Notes to the Financial Statements

### Year Ended 31 March 2014

#### 7. Taxation on ordinary activities *(continued)*

##### (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 23% (2013 - 24%).

	2014	2013
	£	£
Profit on ordinary activities before taxation	<u>2,441,112</u>	<u>2,146,795</u>
Profit on ordinary activities by rate of tax	561,456	515,231
Adjustments to tax charge in respect of previous periods	(19,463)	-
Other short term timing differences	<u>(358,840)</u>	<u>(440,914)</u>
Total current tax (note 7(a))	<u>183,153</u>	<u>74,317</u>

##### (c) Factors that may affect future tax charges

During the year, as a result of the reduction in the UK main corporation tax rate from 23% to 20% that was enacted on 17 July 2013 to take effect in two stages from 1 April 2014 (21%) and then from 1 April 2015 (20%), the relevant deferred tax balances have been re-measured at 20%.

#### 8. Dividends

##### Equity dividends

	2014	2013
	£	£
Paid during the year:		
Interim dividend of £9.60 (2013: £11.51) per ordinary share	<u>800,542</u>	<u>960,000</u>

#### 9. Debtors

	2014	2013
	£	£
Trade debtors	81,735	31,886
Finance debtor	73,813,794	76,222,336
Prepayments and accrued income	498,273	441,707
	<u>74,393,802</u>	<u>76,695,929</u>

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

	2014	2013
	£	£
Finance debtor	<u>73,813,794</u>	<u>76,222,336</u>

# The Edinburgh Schools Partnership Limited

## Notes to the Financial Statements

### Year Ended 31 March 2014

#### 10. Creditors: Amounts falling due within one year

	2014	2013
	£	£
Bank loans	3,723,417	3,488,581
Trade creditors	758,398	586,576
Amounts owed to group undertakings	360,000	690,000
Corporation tax	218,207	35,054
Other taxation	543,337	454,978
Other creditors	20,045	–
Accruals and deferred income	388,076	383,749
	<u>6,011,480</u>	<u>5,638,938</u>

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

	2014	2013
	£	£
Bank loans	58,079,125	61,744,763
Amounts owed to group undertakings	1,542,683	1,902,678
	<u>59,621,808</u>	<u>63,647,441</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 2014 is £62,711,335 (2013: £66,199,916). Issue costs of £908,793 (2013: £966,572) 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:

	2014	2013
	£	£
Amounts repayable:		
In one year or less or on demand	4,136,876	4,178,581
In more than one year but not more than two years	4,180,760	4,136,876
In more than two years but not more than five years	8,919,297	10,657,048
In more than five years	47,377,085	49,820,089
	<u>64,614,018</u>	<u>68,792,594</u>
Unamortised loan issue expenses	908,793	966,572
	<u>63,705,225</u>	<u>67,826,022</u>



# The Edinburgh Schools Partnership Limited

## Notes to the Financial Statements

Year Ended 31 March 2014

### 13. Deferred taxation

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

	2014	2013
	£	£
Provision brought forward	6,992,293	6,975,191
Profit and loss account movement arising during the year	<u>(1,126,530)</u>	<u>17,102</u>
Provision carried forward	<u>5,865,763</u>	<u>6,992,293</u>

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

	2014	2013
	£	£
Excess of taxation allowances over depreciation on fixed assets	7,264,010	8,818,118
Tax losses available	<u>(1,398,247)</u>	<u>(1,825,825)</u>
	<u>5,865,763</u>	<u>6,992,293</u>

### 14. Other provisions

	2014
	£
<b>Lifecycle provision:</b>	
Balance brought forward	4,721,081
Movement for year	<u>673,021</u>
	<u>5,394,102</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:

	2014		2013	
	No	£	No	£
Ordinary shares of £1 each	<u>83,395</u>	<u>83,395</u>	<u>83,395</u>	<u>83,395</u>

# The Edinburgh Schools Partnership Limited

## Notes to the Financial Statements

### Year Ended 31 March 2014

#### 16. Profit and loss account

	2014	2013
	£	£
Balance brought forward	6,930,069	5,834,693
Profit for the financial year	3,384,489	2,055,376
Equity dividends	(800,542)	(960,000)
Balance carried forward	<u>9,514,016</u>	<u>6,930,069</u>

#### 17. Reconciliation of movements in shareholders' funds

	2014	2013
	£	£
Profit for the financial year	3,384,489	2,055,376
Equity dividends	(800,542)	(960,000)
Net addition to shareholders' funds	<u>2,583,947</u>	<u>1,095,376</u>
Opening shareholders' funds	<u>7,013,464</u>	<u>5,918,088</u>
Closing shareholders' funds	<u>9,597,411</u>	<u>7,013,464</u>

#### 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 company is a wholly owned subsidiary of ESP (Holdings) Limited, company number SC206929. The accounts of ESP (Holdings) Limited registered at 2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF can be obtained from the Registrar of Companies.