

**The Edinburgh Schools Partnership
Limited**

Annual Report and Financial Statements

For the Year Ended 31 March 2013

Registered Number SC206930



The Edinburgh Schools Partnership Limited

Financial Statements

Year Ended 31 March 2013

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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 (Appointed 1 November 2012)

Company secretary

Infrastructure Managers Limited

Registered office

2nd Floor
11 Thistle Street
Edinburgh
EH2 1DF

Auditors

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

Bankers

Lloyds Bank Corporate Markets
New Uberior House
Edinburgh
EH3 9BN

The Edinburgh Schools Partnership Limited

The Directors' Report

Year Ended 31 March 2013

The directors have pleasure in presenting their report and the financial statements of the Company for the year ended 31 March 2013.

Principal activities and business review

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 needs and 1 community centre.

Following construction completion in 2005 the project is now well into its operational phase.

Edinburgh Schools Partnership Limited, 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 2013 the Edinburgh Schools Partnership Limited consortium is comprised of Palio (No.19) Limited, Semperian PPP Investment Partners No. 2 Limited, BOS Infrastructure (No. 3) Limited, Barclays Integrated Infrastructure Fund LP.

Results and dividends

The profit for the year, after taxation, amounted to £2,055,376 (2012: profit £2,245,431). Particulars of dividends paid are detailed in note 7 to the financial statements.

The result for the year will be transferred to reserves.

The Edinburgh Schools Partnership Limited

The Directors' Report *(continued)*

Year Ended 31 March 2013

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.

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'.

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 2013. All deductions have been passed through from customer to supplier.

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.

The Edinburgh Schools Partnership Limited

The Directors' Report *(continued)*

Year Ended 31 March 2013

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

A handwritten signature in black ink, appearing to read "Sin Park", written over a horizontal line.

Infrastructure Managers Limited
Company Secretary

Approved by the directors on ...31.03.13...

The Edinburgh Schools Partnership Limited

Statement of Directors' Responsibilities

Year Ended 31 March 2013

The directors are responsible for preparing the 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:

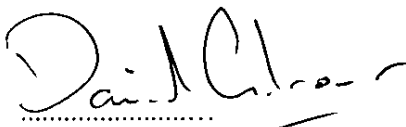
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 31/03/13 and signed on its behalf by:


.....
D F Gilmour

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 2013 which comprise the Profit and Loss Account, Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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 auditors

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 (APB'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. 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 2013 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

7/10/13
.....

The Edinburgh Schools Partnership Limited

Profit and Loss Account

Year Ended 31 March 2013

	Note	2013 £	2012 £
Turnover	2	9,567,978	9,298,527
Cost of sales		<u>(6,529,292)</u>	<u>(8,045,695)</u>
Gross profit		3,038,686	1,252,832
Administrative expenses		<u>(2,020,403)</u>	<u>(509,271)</u>
Operating profit		1,018,283	743,561
Interest receivable	4	5,604,684	5,707,659
Interest payable and similar charges	5	<u>(4,476,172)</u>	<u>(4,769,590)</u>
Profit on ordinary activities before taxation		2,146,795	1,681,630
Tax on profit on ordinary activities	6	<u>(91,419)</u>	<u>563,801</u>
Profit for the financial year		<u>2,055,376</u>	<u>2,245,431</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.

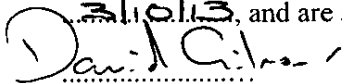
The Edinburgh Schools Partnership Limited

Balance Sheet

As at 31 March 2013

	Note	2013 £	2012 £
Current assets			
Debtors due within one year	8	473,593	283,731
Debtors due after one year	8	76,222,336	78,515,694
Cash at bank		11,317,288	11,111,725
		<u>88,013,217</u>	<u>89,911,150</u>
Creditors: Amounts falling due within one year	9	<u>(5,638,938)</u>	<u>(5,586,908)</u>
Net current assets		<u>82,374,279</u>	<u>84,324,242</u>
Total assets less current liabilities		<u>82,374,279</u>	<u>84,324,242</u>
Creditors: Amounts falling due after more than one year	10	<u>(63,647,441)</u>	<u>(67,821,828)</u>
Provisions for liabilities			
Deferred taxation	12	(6,992,293)	(6,975,191)
Other provisions	13	(4,721,081)	(3,609,135)
		<u>7,013,464</u>	<u>5,918,088</u>
Net assets		<u>7,013,464</u>	<u>5,918,088</u>
Capital and reserves			
Share capital	14	83,395	83,395
Profit and loss account	15	6,930,069	5,834,693
Equity shareholders' funds	16	<u>7,013,464</u>	<u>5,918,088</u>

These financial statements on pages 8 to 16 were approved by the directors and authorised for issue on 31.03.13, 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 2013

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 small.

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 2013

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:

	2013	2012
	£	£
United Kingdom	<u>9,567,978</u>	<u>9,298,527</u>

3. Particulars of employees and directors

The Directors did not receive any remuneration from the Company during the year (2012: £nil). There were no employees in the financial year other than the directors (2012: nil).

The Edinburgh Schools Partnership Limited

Notes to the Financial Statements

Year Ended 31 March 2013

4. Interest receivable

	2013 £	2012 £
Bank interest receivable	176,706	133,367
Finance debtor interest	5,427,978	5,574,292
	<u>5,604,684</u>	<u>5,707,659</u>

5. Interest payable and similar charges

	2013 £	2012 £
Interest payable on bank borrowing	4,015,209	4,239,861
Interest on other loans	416,841	489,168
Other similar charges	44,122	40,561
	<u>4,476,172</u>	<u>4,769,590</u>

6. Taxation on ordinary activities

(a) Analysis of charge in the year

	2013 £	2012 £
Current tax:		
UK Corporation tax based on the results for the year at 24% (2012 - 26%)	74,317	-
Total current tax	<u>74,317</u>	-
Deferred tax:		
Origination and reversal of timing differences	17,102	(563,801)
Tax on profit on ordinary activities	<u>91,419</u>	<u>(563,801)</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 24% (2012 - 26%).

	2013 £	2012 £
Profit on ordinary activities before taxation	<u>2,146,795</u>	<u>1,681,630</u>
Profit on ordinary activities by rate of tax	515,231	437,000
Other short term timing differences	<u>(440,914)</u>	<u>(437,000)</u>
Total current tax (note 6(a))	<u>74,317</u>	-

The Edinburgh Schools Partnership Limited

Notes to the Financial Statements

Year Ended 31 March 2013

6. Taxation on ordinary activities (continued)

(c) Factors that may affect future tax charges

During the year, as a result of the change in the UK main corporation tax rate from 24% to 23% that was enacted on 17 July 2012 and that will be effective from 1 April 2013, the relevant deferred tax balances have been re-measured.

A further reduction to the UK main corporation tax rate was announced in the 2012 Autumn Statement. This change had not been substantively enacted at the balance sheet and therefore is not recognised in these financial statements. The change proposes to reduce the rate by a further 2% to 21% from 1 April 2014.

7. Dividends

Equity dividends

	2013 £	2012 £
Paid during the year:		
Dividends on equity shares	<u>960,000</u>	<u>200,000</u>

8. Debtors

	2013 £	2012 £
Trade debtors	31,886	214,164
Finance debtor	76,222,336	78,515,694
Other debtors	-	39,263
Prepayments and accrued income	441,707	30,304
	<u>76,695,929</u>	<u>78,799,425</u>

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

	2013 £	2012 £
Finance debtor	<u>76,222,336</u>	<u>78,515,694</u>

The amounts owed by group undertakings are trading balances are not interest bearing and are repayable on demand.

The Edinburgh Schools Partnership Limited

Notes to the Financial Statements

Year Ended 31 March 2013

9. Creditors: Amounts falling due within one year

	2013	2012
	£	£
Bank loans	3,488,581	3,228,000
Trade creditors	586,576	154,423
Amounts owed to group undertakings	690,000	1,000,000
Corporation tax	35,054	-
Other taxation	454,978	458,856
Accruals and deferred income	383,749	745,629
	<u>5,638,938</u>	<u>5,586,908</u>

The amounts owed to group undertakings are trading balances are not interest bearing and are repayable on demand.

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

	2013	2012
	£	£
Bank loans	61,744,763	64,229,150
Amounts owed to group undertakings	1,902,678	3,592,678
	<u>63,647,441</u>	<u>67,821,828</u>

11. Creditors - capital instruments

Creditors include loans which are due for repayment as follows:

	2013	2012
	£	£
Amounts repayable:		
In one year or less or on demand	4,178,581	4,267,929
In more than one year but not more than two years	4,136,876	4,178,581
In more than two years but not more than five years	10,657,048	11,771,989
In more than five years	49,820,089	52,842,029
	<u>68,792,594</u>	<u>73,060,528</u>
Unamortised loan issue expenses	966,572	1,009,894
	<u>67,826,022</u>	<u>72,050,634</u>

12. Deferred taxation

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

	2013	2012
	£	£
Provision brought forward	6,975,191	7,538,992
Profit and loss account movement arising during the year	17,102	(563,801)
Provision carried forward	<u>6,992,293</u>	<u>6,975,191</u>

The Edinburgh Schools Partnership Limited

Notes to the Financial Statements

Year Ended 31 March 2013

12. Deferred taxation (continued)

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

	2013 £	2012 £
Excess of taxation allowances over depreciation on fixed assets	8,818,118	8,904,819
Tax losses available	<u>(1,825,825)</u>	<u>(1,929,628)</u>
	<u>6,992,293</u>	<u>6,975,191</u>

13. Other provisions

	2013 £
Lifecycle provision:	
Balance brought forward	3,609,135
Movement for year	<u>1,111,946</u>
	<u>4,721,081</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.

14. Share capital

Authorised share capital:

	2013 £		2012 £	
Allotted, called up and fully paid:				
	2013		2012	
	No	£	No	£
83,395 Ordinary shares of £1 each	<u>83,395</u>	<u>83,395</u>	<u>83,395</u>	<u>83,395</u>

15. Profit and loss account

	2013 £	2012 £
Balance brought forward	5,834,693	3,789,262
Profit for the financial year	2,055,376	2,245,431
Equity dividends	<u>(960,000)</u>	<u>(200,000)</u>
Balance carried forward	<u>6,930,069</u>	<u>5,834,693</u>

The Edinburgh Schools Partnership Limited

Notes to the Financial Statements

Year Ended 31 March 2013

16. Reconciliation of movements in shareholders' funds

	2013	2012
	£	£
Profit for the financial year	2,055,376	2,245,431
Equity dividends	(960,000)	(200,000)
Net addition to shareholders' funds	<u>1,095,376</u>	<u>2,045,431</u>
Opening shareholders' funds	<u>5,918,088</u>	<u>3,872,657</u>
Closing shareholders' funds	<u>7,013,464</u>	<u>5,918,088</u>

17. 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.

18. 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.