

Registered number
07431413

HERTFORDSHIRE SCHOOLS BUILDING PARTNERSHIP LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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Hertfordshire Schools Building Partnership Limited
Report and Financial Statements
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Hertfordshire Schools Building Partnership Limited

Registered number: 07431413

Strategic Report

for the year ended 31 December 2014

Strategic Review

The Company's business is to construct the new Nobel School for the Hertfordshire County Council, to maintain and service the facilities, to provide ICT equipment in the school upon construction completion and to manage Hertfordshire Schools Building Partnership Phase 1 Limited, the subsidiary of its joint venture investment, until 2037.

Review of the Business

The results for the year are set out on page 6. The profit for the year after taxation amounted to £51,000 (2013: profit £312,000).

Key Performance Indicators

The key performance indicators for the Company are:

- construction programmes complete on time
- the net cash flow is in line with or better than forecast.

As at 31 December 2014 the construction programmes were complete.

As at 31 December 2014, the net cash inflow was £130,000 (2013: £414,000 inflow) compared to a forecast inflow of £32,000 (2013: £93,000 inflow).

Principal Risks

The principal risks which the Company is exposed to are credit risk, liquidity risk and contractual relationships.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables, each of which arise from its primary client, Hertfordshire County Council. The credit and cash flow risks are not considered significant as the client is a local government organisation.

Liquidity risk

The Company adopts a prudent approach to liquidity management by maintaining sufficient cash and liquid resources to meet its obligations; and ensuring that subcontracts are let on a fixed price basis with performance risk passed to subcontractors. Due to the nature of the project, cash flows are reasonably predictable and so this is not a major risk area for the Company.

Contractual relationships

The Company operates within a contractual relationship with its primary customer, Hertfordshire County Council. Impairment of this relationship could have a detrimental impact upon the Company and lead to a breach of contract. Consequently, to manage this risk, the Company has regular meetings with Hertfordshire County Council, including discussions on performance, project processes, future plans and customer requirements. In accordance with the Concession Agreement, the Company is responsible for constructing and providing services within the school, which, if not provided, could have a detrimental impact upon the Company.

Subsequent Events

There has been no indication of any significant future developments in the business.

This report was approved by the Board on **26 June 2015** and signed on its behalf.

D.G. Blanchard

Director

Date:

Registered Office: 6th Floor, 350 Euston Road, Regent's Place, London, NW1 3AX.

Hertfordshire Schools Building Partnership Limited
Registered number: 07431413
Directors' Report
for the year ended 31 December 2014

The Directors have pleasure in presenting their Annual Report together with the audited Financial Statements and Auditor's Report for the year ended 31 December 2014.

The following information has been disclosed in the Strategic Report:

- Financial Risk Management
- Key Performance Indicators
- Indication of likely future developments in the business

Results and Dividends

The Directors do not propose to pay a dividend in respect of the year ended 31 December 2014 (2013: £Nil). The Directors expect the Company to continue its operations for the foreseeable future.

Going Concern

The Directors do not expect any significant change to the Company's activities to occur in the following financial year.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the Financial Statements.

Directors

The following persons served as Directors during the year:

C.Cook	
D.J.Swarbrick	(resigned 24 December 2014)
S.T.Newland	(resigned 18 September 2014)
T.H.Spencer	(resigned 25 November 2014)
D.G.Blanchard	
A. Bowler	(appointed 25 November 2014)

Directors' Indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which remain in force at the date of this report.

Financial Risk Management

The principal financial risks have been considered in the Strategic Report under Principal Risks.

Hertfordshire Schools Building Partnership Limited
Registered number: 07431413
Directors' Report
for the year ended 31 December 2014

Provision of Information to Auditors

Each of the persons who is a Director at the date of approval of this report confirms that:

(i) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(ii) the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

This report was approved by the Board on *26 June 2015* and signed on its behalf.



D.G. Blanchard

Director

Date:

Registered Office: 6th Floor, 350 Euston Road, Regent's Place, London, NW1 3AX.

Hertfordshire Schools Building Partnership Limited

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and 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 accounts 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 accounts 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 period. In preparing these accounts, 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 UK 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 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.

Hertfordshire Schools Building Partnership Limited
Independent Auditor's report
to the members of Hertfordshire Schools Building Partnership Limited

We have audited the Financial Statements of Hertfordshire Schools Building Partnership Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement 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, 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 accounts 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 Group'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 of 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 the 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 December 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.

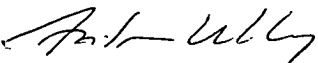
Opinion on other matters prescribed by the Companies Act 2006

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

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.


Andrew J. Kelly FCA
(Senior Statutory Auditor)
for and on behalf of
Deloitte LLP
Accountants and Statutory Auditors
London, United Kingdom

29th June 2015

Hertfordshire Schools Building Partnership Limited
Profit and Loss Account
for the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Turnover	2	23,705	25,583
Cost of sales		(22,846)	(24,287)
Gross profit		<u>859</u>	<u>1,296</u>
Administrative expenses		(858)	(825)
Operating profit	3	<u>1</u>	<u>471</u>
Finance income (net)	4	4	-
Profit on ordinary activities before taxation		<u>5</u>	<u>471</u>
Taxation on profit on ordinary activities	5	46	(159)
Profit on ordinary activities after taxation		<u><u>51</u></u>	<u><u>312</u></u>

Continuing operations

None of the Company's activities were acquired or discontinued during the above two financial years.

Statement of total recognised gains and losses

There were no recognised gains or losses for the current year and preceding year other than those stated in the profit and loss account, consequently no statement of total recognised gains and losses is presented.

Hertfordshire Schools Building Partnership Limited
Balance Sheet
as at 31 December 2014
Registered number: 07431413

	Notes	2014 £'000	2013 £'000
Fixed assets			
Investments	6b	<u>436</u>	<u>451</u>
		436	451
Current assets			
Debtors: due within one year	7	1,630	863
Cash at bank and in hand		<u>941</u>	<u>811</u>
		2,571	1,674
Creditors: due within one year	8	(2,351)	(1,519)
Net current assets		<u>220</u>	<u>155</u>
Total assets less current liabilities		<u>656</u>	<u>606</u>
Creditors: due after more than one year			
Loan stock	9	<u>(436)</u>	<u>(437)</u>
		(436)	(437)
Net assets		<u>220</u>	<u>169</u>
Capital and reserves			
Called up share capital	10	-	-
Profit and loss account	11	220	169
Shareholders' funds/(deficit)	12	<u>220</u>	<u>169</u>

The Financial Statements of Hertfordshire Schools Building Partnership Limited were approved by the Board of Directors and authorised for issue on **26 June 2015**. They were signed on its behalf by:



D.G. Blanchard
Director

Hertfordshire Schools Building Partnership Limited
Cashflow Statement
For the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Net cash inflow from operating activities	13a	130	465
Interest received		56	-
Interest and fees paid		(50)	-
Tax paid		<u>(6)</u>	<u>(51)</u>
Cash inflow before financing		130	414
Increase in cash in the period		<u><u>130</u></u>	<u><u>414</u></u>

Hertfordshire Schools Building Partnership Limited
Notes to the Financial Statements
for the year ended 31 December 2014

1 Accounting policies

A summary of the principal accounting policies of the Company, all of which have been applied consistently throughout the current and preceding year, is set out below:

a) Basis of preparation

The Financial Statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards. They include the result of the activities described in the Strategic Report, all of which are continuing.

b) Going Concern

The current economic conditions create some general uncertainty. The Directors have reviewed the Company's supply chain and do not believe that any specific risk has been identified. The Directors have also considered the ability of the Council to continue to pay the construction costs under the construction contract and do not consider this to be a material risk. The Company's forecasts and projections, taking account of reasonably possible counterparty performance, show the Company expects to be able to continue to operate for the full term of the concession. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and Financial Statements.

c) Turnover

Turnover represents the value, net of value added tax and discounts, of goods provided to customers and work carried out in respect of services provided to customers.

d) Taxation

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted, or substantively enacted, by the balance sheet date. Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in Financial Statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

e) Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if they are not included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated over the term of the instrument.

f) Liquid resources

Liquid resources comprises current asset investments held as readily disposable investments. They are readily convertible into known amounts of cash at, or close to, their carrying value. The investments are carried at cost or net realisable value. Net realisable value is based on mid-market price.

g) Finance costs

The finance costs on the debt are recognised at a constant rate in accordance with the value of the debt. Finance costs are expensed during the project.

Hertfordshire Schools Building Partnership Limited
Notes to the Financial Statements
for the year ended 31 December 2014

1 Accounting policies (continued)

h) Joint Ventures

Joint Ventures are those entities over which the Company exercises joint control through a contractual arrangement. The investment in joint venture is carried in the balance sheet at cost.

2 Turnover	2014	2013
	£'000	£'000
Turnover by origin and destination from the Company's principal activity:		
United Kingdom	23,705	25,583
	<u>23,705</u>	<u>25,583</u>

3 Operating profit	2014	2013
	£'000	£'000
This is stated after charging:		
Auditor's remuneration for audit services	7	7
	<u>7</u>	<u>7</u>

The Directors received no salary in the performance of their duties during the current or preceding year. The Company had no employees in the current or preceding year. All costs of the Directors and other staff are borne by the shareholders of the related parties who second their employees to the Company.

4 Finance income (net)	2014	2013
	£'000	£'000
Bank interest receivable	4	1
Interest receivable on secured subordinated loan stock	53	56
Interest receivable and similar income	<u>57</u>	<u>57</u>
Interest payable on subordinated loanstock	(53)	(57)
Interest payable and similar charges	<u>(53)</u>	<u>(57)</u>
Finance income (net)	<u>4</u>	<u>-</u>

Hertfordshire Schools Building Partnership Limited
Notes to the Financial Statements
for the year ended 31 December 2014

5 Taxation

The tax (charge)/credit is based on the profit/(loss) for the period at an effective tax rate of 21.5% (2013: 23.25%).

	2014 £'000	2013 £'000
Analysis of charge in period		
Current tax:		
UK corporation tax on profit/(loss) for the period	46	(159)
	<u>46</u>	<u>(159)</u>
Tax on profit/(loss) on ordinary activities		

Factors affecting tax charge for period

The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows:

	2014 £'000	2013 £'000
Profit on ordinary activities before tax	<u>5</u>	<u>471</u>
Standard rate of corporation tax in the UK	21.50%	23.25%
	£'000	£'000
Tax (charge)/credit on profit on ordinary activities at standard UK corporation tax rate	(1)	(110)
Effects of:		
Prior year adjustment	47	(49)
	<u>46</u>	<u>(159)</u>
Current tax (charge)/credit for period		

A reduction in the main UK tax rate of 23% to 21%, effective from 1 April 2014, was substantively enacted in the Finance Act 2013; as such a blended rate of 21.5% has been used for the calculation of current tax in 2014.

Hertfordshire Schools Building Partnership Limited
Notes to the Financial Statements
for the year ended 31 December 2014

6a Shares in Joint Venture Undertakings

	2014	2013
	£'000	£'000
At 1 January and 31 December	<u>10</u>	<u>10</u>

Principal Joint Venture Undertaking

The Company has an investment in the following joint venture undertaking;

Name: Hertfordshire Schools Building Partnership Phase 1 Holdings Limited

Activity: Holdings of a wholly-owned PFI Concession Company

Country of incorporation: Great Britain

Shareholding: 51%

6b Investments in Joint Venture

	2014	2013
	£'000	£'000
Subordinated debt invested in joint venture undertaking	<u>436</u>	<u>451</u>
	<u>436</u>	<u>451</u>

6c Share of Joint Venture summary

	2014	2013
	£'000	£'000
Share of assets		
Share of financial assets	25,725	26,133
Share of current assets	<u>1,993</u>	<u>1,489</u>
	27,718	27,622
Share of liabilities		
Share of liabilities due within one year	(1,711)	(1,154)
Share of liabilities due after more than one year	<u>(25,845)</u>	<u>(26,371)</u>
	<u>(27,556)</u>	<u>(27,525)</u>
Share of net assets/(liabilities)	<u><u>162</u></u>	<u><u>97</u></u>

	2014	2013
	£'000	£'000
Share of capital commitments	-	-
Share of turnover	1,136	27,670
Share of profit/(loss) before taxation	215	144
Share of taxation	<u>(45)</u>	<u>(36)</u>
Share of profit/(loss) after taxation	<u><u>170</u></u>	<u><u>108</u></u>

Hertfordshire Schools Building Partnership Limited
Notes to the Financial Statements
for the year ended 31 December 2014

7 Debtors - due within one year	2014 £'000	2013 £'000
Trade debtors	970	183
Prepayments and accrued income	9	670
VAT debtor	280	-
Accrued Interest receivable	371	10
	<u>1,630</u>	<u>863</u>

8 Creditors: due within one year	2014 £'000	2013 £'000
VAT creditor	-	12
Loan stock	2	14
Loan stock interest	13	10
Trade creditors	1,248	236
Corporation tax payable	1	54
Other creditors	999	1,193
Income in advance	88	-
	<u>2,351</u>	<u>1,519</u>

9 Creditors: due after more than one year	2014 £'000	2013 £'000
Loan stock	<u>436</u>	<u>437</u>
Loan stock is repayable in the following periods:		
Less than one year	2	14
Between one and two years	5	4
Between two and five years	19	17
After five years	<u>410</u>	<u>416</u>
	<u>436</u>	<u>451</u>

The secured subordinated loan stock has been subscribed by Balfour Beatty Education Limited (80%) and Hertfordshire County Council (20%). The loan stock bears interest at a rate of 8.7% above RPIx and is repayable in instalments between 2013 and 2037. It is secured by second fixed and floating charges over the undertaking, property, assets and rights of the Company.

10 Share capital	Nominal value	2014 Number	2014 £	2013 £
Allotted, called up and fully paid:				
Ordinary shares	£1 each	100	<u>100</u>	<u>100</u>

Hertfordshire Schools Building Partnership Limited
Notes to the Financial Statements
for the year ended 31 December 2014

11 Profit and loss account	2014 £'000	2013 £'000
At 1 January	169	(143)
Profit for the financial year	51	312
At 31 December	<u>220</u>	<u>169</u>

12 Reconciliation of movement in shareholders' funds	2014 £'000	2013 £'000
At 1 January	169	(143)
Profit for the financial year	51	312
At 31 December	<u>220</u>	<u>169</u>

13a Reconciliation of operating profit to net cash flow from operating activities	2014 £'000	2013 £'000
Operating profit/(loss)	1	471
(Increase)/decrease in debtors	(779)	2,732
Increase/(decrease) in creditors	908	(2,738)
Net cash inflow from operating activities	<u>130</u>	<u>465</u>

13b Analysis and reconciliation of net debt

	At 31 December 2013 £'000	Cash flow £'000	Other non cash changes £'000	At 31 December 2014 £'000
Cash at bank and in hand	811	130	-	941
Loans	(451)	16	-	(435)
	<u>360</u>	<u>146</u>	<u>-</u>	<u>506</u>

13c Reconciliation of net cash flow to movement in net debt

	2014 £'000	2013 £'000
Increase in cash	146	414
Change in net debt resulting from cash flows	146	414
Other non cash changes	-	-
Movement in net debt in the period	146	414
Net debt as at 1 January	<u>360</u>	<u>(54)</u>
Net debt as at 31 December	<u>506</u>	<u>360</u>

Hertfordshire Schools Building Partnership Limited
Notes to the Financial Statements
for the year ended 31 December 2014

14 Related party transactions

At 31 December 2014, subordinated loan stock totalled £435,600 (2013: £451,300) split between Balfour Beatty Education Limited £348,480 and Hertfordshire County Council £87,120. The accrued interest on subordinated loan stock totalled £13,215 (2013: £10,453), divided between Balfour Beatty Education Limited for £10,572 and Hertfordshire County Council £2,643.

During the year, the value of work certified as complete under contracts between the Company and subsidiaries of Balfour Beatty plc for the construction and refurbishment of schools, provision of services within the schools, and other costs incurred by subsidiaries and associates of Balfour Beatty plc was £1,070,107 (2013: £22,627,876). There was £928,000 included within accruals at 31 December 2014 (2013: £698,000).

During the year, the value of work certified as complete under contracts between the Company and Hertfordshire Schools Building Partnership Phase 1 Limited for Management Service Fees and Project Management Fees was £1,368,461 (2013: £819,066). There were no amounts accrued as at 31 December 2014 (2013: £Nil).

15 Controlling Parties

The ultimate controlling parties are Balfour Beatty plc (80%) and Hertfordshire County Council (20%). The smallest and largest Group in which the results of Hertfordshire Schools Building Partnership Limited are consolidated is Balfour Beatty plc, copies of whose financial statements are available from 6th Floor, 350 Euston Road, Regent's Place, London, NW1 3AX.

16 Subsequent Events

There have been no significant post balance sheet events.