

ABC Schools Limited
Annual Report and Financial Statements
For the Year Ended 31 December 2013

Registered Number SC281989

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ABC Schools Limited

Financial Statements

Year Ended 31 December 2013

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ABC Schools Limited

Company Information

The board of directors

F G Hogg
P J Ramsay
J I Cavill
S Peck
D F Gilmour
BIIF Corporate Services Limited

Company secretary

Infrastructure Managers Limited

Registered office

2nd Floor
11 Thistle Street
Edinburgh
EH2 1DF

Auditors

PricewaterhouseCoopers LLP
Chartered Accountants
and Statutory Auditors
Level 4
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Bankers

Royal Bank of Scotland Plc
PO Box 412
62/63 Threadneedle Street
London
EC2R 8LA

Solicitors

Maclay Murray & Spens LLP
Quartermile One
15 Lauriston Place
Edinburgh
EH3 9EP

ABC Schools Limited

Directors' Report

Year Ended 31 December 2013

The directors present their report and the financial statements of the Company for the year ended 31 December 2013.

Principal Activities and Business Review

The principal activity of the company during the year was the provision of design, construction, finance and facilities management of five schools to Argyll and Bute Council.

The Company is in the operational phase of the contract, which commenced on 28 February 2008. In the next financial period the Company will continue to face operational risks and will actively monitor financial performance against loan covenants.

This project is the first to be delivered under the pioneering variant of Non-Profit Distributing Organisation (NPDO) which has been given a high level support by the Scottish Government. Under this pioneering variant, it is envisaged that any surpluses made by ABC Schools Limited (after allocating surpluses in accordance with the agreed priorities) will be transferred via "Gift Aid" to an independent charity.

Results and Dividends

The profit for the year, after taxation, amounted to £370,885 (2012: profit £311,668). The directors have not recommended a dividend.

The profit for the year will be transferred to reserves.

Key Performance Indicators

The performance of the investment from a cash perspective is assessed on a six monthly basis by the testing of the covenants of the investment's senior debt provider, the key indicator being the debt service cover ratio. The investment has been performing well and has been compliant with the covenants laid out in the loan agreement.

Financial Instruments

Details of the Company's financial risk management objectives and policies are included in note 13 to the accounts.

Directors

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

Small Company Provisions

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

ABC Schools Limited

Directors' Report *(continued)*

Year Ended 31 December 2013

Auditor

PricewaterhouseCoopers 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 6th May 2014.

ABC Schools Limited

Statement of Directors' Responsibilities

Year Ended 31 December 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:

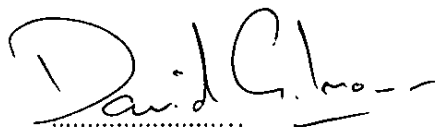
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 6th May 2014 and signed on its behalf by:


D F Gilmour

ABC Schools Limited

Independent Auditors' Report to the Members of ABC Schools Limited

Report on the Financial Statements

Our Opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Company's affairs as at 31 December 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What We Have Audited

The financial statements, which are prepared by ABC Schools Limited, comprise:

- the balance sheet as at 31 December 2013;
- the profit and loss account for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

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).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an Audit of Financial Statements Involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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.

ABC Schools Limited

Independent Auditors' Report to the Members of ABC Schools Limited *(continued)*

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.

Other Matters on Which We are Required to Report by Exception

Adequacy of Accounting Records and Information and Explanations Received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

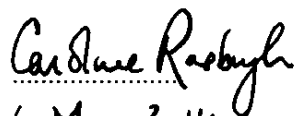
Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

ABC Schools Limited

Independent Auditors' Report to the Members of ABC Schools Limited *(continued)*

This report, including the opinions, has been prepared for and only for the Company's Members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Caroline Roxburgh (Senior Statutory Auditor)
For and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh


6 May 2014

ABC Schools Limited

Profit and Loss Account

Year Ended 31 December 2013

	Note	2013 £	2012 £
Turnover	2	4,533,333	4,376,949
Cost of sales		(2,838,984)	(2,774,718)
Gross profit		1,694,349	1,602,231
Administrative expenses		(852,370)	(816,688)
Operating profit	3	841,979	785,543
Interest receivable	5	6,286,074	6,503,969
Interest payable and similar charges	6	(6,565,555)	(6,805,040)
Profit on ordinary activities before taxation		562,498	484,472
Tax on profit on ordinary activities	7	(191,613)	(172,804)
Profit for the financial year		370,885	311,668

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 18 form part of these financial statements.

ABC Schools Limited

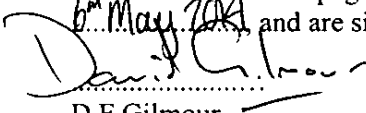
Balance Sheet

As at 31 December 2013

	Note	2013 £	2012 £
Current assets			
Debtors due within one year	8	3,513,772	2,961,354
Debtors due after one year	8	85,965,060	89,780,092
Cash at bank		11,789,288	11,784,702
		<u>101,268,120</u>	<u>104,526,148</u>
Creditors: Amounts falling due within one year	10	<u>(6,808,172)</u>	<u>(6,984,852)</u>
Net current assets		<u>94,459,948</u>	<u>97,541,296</u>
Total assets less current liabilities		<u>94,459,948</u>	<u>97,541,296</u>
Creditors: Amounts falling due after more than one year	11	<u>(96,089,917)</u>	<u>(99,542,150)</u>
Net liabilities		<u>(1,629,969)</u>	<u>(2,000,854)</u>
Capital and reserves			
Share capital	14	10	10
Profit and loss account	15	<u>(1,629,979)</u>	<u>(2,000,864)</u>
Deficiency of equity shareholders' funds	16	<u>(1,629,969)</u>	<u>(2,000,854)</u>

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

These accounts on pages 8 to 18 were approved by the directors and authorised for issue on 6 May 2014, and are signed on their behalf by:


D F Gilmour

Company Registration Number: SC281989

The notes on pages 10 to 18 form part of these financial statements.

ABC Schools Limited

Notes to the Financial Statements

Year Ended 31 December 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 financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable Accounting Standards in the United Kingdom. The financial statements have been prepared on the going concern basis as the Company's financial projections indicate that sufficient funds will be generated to allow ongoing obligations to be met as they fall due.

Cash flow statement

The Company is a wholly owned subsidiary of BIIF Holdco Limited and is included in the consolidated financial statements of BIIF Holdco Limited, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Deferred taxation

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

Financial Instruments

The Company uses derivative financial instruments to manage exposures to fluctuations in interest rates. Amounts payable and receivable in respect of these derivatives are recognised as adjustments to interest expense over the term of the contracts.

ABC Schools Limited

Notes to the Financial Statements

Year Ended 31 December 2013

1. Accounting policies *(continued)*

Finance Debtor

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

When applying the guidance within the Application Note indicates that the project's principal agreements transfer substantially all the risks and rewards of ownership to the customer, the costs incurred by the company on the design and construction of the assets have been treated as a finance debtor within these financial statements.

Management service income is allocated between turnover and reimbursement of finance debtor so as to generate a constant rate of return in respect of the finance debtor over the life of the contract. Turnover represents the income allocated to the services provided as part of the overall project.

Taxation

The tax expense represents the sum of current tax expense and deferred tax expense.

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

2. Turnover

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

	2013 £	2012 £
United Kingdom	<u>4,533,333</u>	<u>4,376,949</u>

3. Operating profit

Operating profit is stated after charging:

	2013 £	2012 £
Auditors' remuneration - as auditor	<u>8,700</u>	<u>8,536</u>

ABC Schools Limited

Notes to the Financial Statements

Year Ended 31 December 2013

4. Particulars of employees and directors

There were no employees in the financial year other than the directors (2012: nil). Amounts paid to Directors in the year in respect of their services amounted to £26,323 (2012: £25,029).

5. Interest receivable

	2013 £	2012 £
Bank interest receivable	58,581	65,012
Finance debtor interest	6,227,493	6,438,957
	<u>6,286,074</u>	<u>6,503,969</u>

6. Interest payable and similar charges

	2013 £	2012 £
Interest payable on bank borrowing	4,907,233	5,136,433
Interest on other loans	1,610,457	1,620,742
Other similar charges	47,865	47,865
	<u>6,565,555</u>	<u>6,805,040</u>

7. Taxation on ordinary activities

(a) Analysis of charge in the year

	2013 £	2012 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 23.25% (2012 - 24.50%)	2,159	4,348
Over/under provision in prior year	-	(13,660)
Total current tax	<u>2,159</u>	<u>(9,312)</u>
Deferred tax:		
Origination and reversal of timing differences (note 9)		
Losses	189,454	182,116
Tax on profit on ordinary activities	<u>191,613</u>	<u>172,804</u>

ABC Schools Limited

Notes to the Financial Statements

Year Ended 31 December 2013

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 23.25% (2012 - 24.50%).

	2013 £	2012 £
Profit on ordinary activities before taxation	562,498	484,472
Profit on ordinary activities by rate of tax	130,757	118,682
Utilisation of tax losses	(128,598)	(114,334)
Adjustments to tax charge in respect of previous periods	-	(13,660)
Total current tax (note 7(a))	2,159	(9,312)

(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%.

This change has reduced the deferred tax asset at the balance sheet date, and so has reduced the profit in the year by £62,220.

8. Debtors

	2013 £	2012 £
Trade debtors	2,243	3,194
Finance debtor	88,680,705	91,745,034
Other debtors	86,570	99,164
Prepayments and accrued income	287,239	289,799
Other prepayments and accrued income	7,274	-
Deferred taxation (note 9)	414,801	604,255
	89,478,832	92,741,446

ABC Schools Limited

Notes to the Financial Statements

Year Ended 31 December 2013

8. Debtors (continued)

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

	2013 £	2012 £
Finance debtor	<u>85,965,060</u>	<u>89,780,092</u>

The movement in the finance debtor is analysed as follows:

	2012 £	2011 £
At beginning of year	91,745,034	94,573,332
Repayments	(3,064,329)	(2,828,298)
At end of year	<u>88,680,705</u>	<u>91,745,034</u>

9. Deferred taxation

The deferred tax included in the Balance sheet is as follows:

	2013 £	2012 £
Included in debtors (note 8)	<u>414,801</u>	<u>604,255</u>

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

	2013 £	2012 £
Balance brought forward	604,255	786,371
Profit and loss account movement arising during the year	(189,454)	(182,116)
Balance carried forward	<u>414,801</u>	<u>604,255</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2013 £	2012 £
Tax losses available	<u>414,801</u>	<u>604,255</u>
	<u>414,801</u>	<u>604,255</u>

ABC Schools Limited

Notes to the Financial Statements

Year Ended 31 December 2013

10. Creditors: Amounts falling due within one year

	2013	2012
	£	£
Bank loans	3,399,119	3,221,146
Trade creditors	782,248	606,063
Amounts owed to group undertakings	457,800	451,637
Corporation tax	1,343	2,148
VAT	477,961	532,823
Other creditors	74,524	73,775
Accruals and deferred income	1,615,177	2,097,260
	<u>6,808,172</u>	<u>6,984,852</u>

Amounts owed to group undertakings relate to loan notes issued by ABC (Holdings) Limited, due within the year, of £53,115 (2012: £45,296) and accrued interest of £404,685 (2012: £406,341).

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

	2013	2012
	£	£
Bank loans	85,070,311	88,469,430
Amounts owed to group undertakings	11,019,606	11,072,720
	<u>96,089,917</u>	<u>99,542,150</u>

The bank loans are repayable in semi-annual instalments which commenced 31 March 2008. The final repayments of both bank loans are due 30 September 2032.

Issue costs of £894,000 (2012: £941,865) have been set off against total loan drawdowns in line with FRS4.

Bank loans from The Royal Bank of Scotland are represented by two tranches of term loans which total £44,681,708 (2012: £46,316,216) and bear interest based on LIBOR. On 14 September 2005 as part of its interest rate management strategy the Company entered into an interest rate swap in respect of part of the debt maturing in 2032. Under this swap, the Company receives interest on a variable basis and pays interest at a fixed rate of 4.6%. On 5 July 2006 as part of its interest rate management strategy the Company entered into a further interest rate swap with the Royal Bank of Scotland in respect of new debt on the Hermitage School added to the project. Under this new swap, the Company receives interest on a variable basis and pays interest at a fixed rate of 5.05%.

ABC Schools Limited

Notes to the Financial Statements

Year Ended 31 December 2013

Bank loans from the European Investment Bank represent total term loans of £44,681,722 (2012: £46,316,225). Interest was charged on these loans at a fixed rate of 5.0% on a tranche of £30,966,620 (2012: £32,149,104) and 5.45% on a tranche of £13,715,102 (2012: £14,167,121) until 30 September 2013. After that date interest was charged at 4.64% and 5.05% respectively.

Bank loans are secured by a bond and floating charge over the assets of the Company. In addition, the bank holds a Parent Security Agreement incorporating a floating charge over the assets of the immediate parent Company, ABC Schools (Holdings) Limited. Under the Parent Security Agreement the parent Company pledges as security its interest in the shares and loan stock of ABC Schools Limited.

Amounts owed to group undertakings relate to loan notes issued by ABC (Holdings) Limited. The loan notes are unsecured, bear interest at 4.88%/5.01% per annum from the date of issue until the project construction reached completion, followed by 14.5% now that the project is fully operational. They are repayable in semi-annual instalments and are wholly repayable by 31 March 2033.

12. 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	3,452,234	3,266,442
In more than one year but not more than two years	3,564,584	3,452,234
In more than two years but not more than five years	10,965,575	10,829,921
In more than five years	81,559,758	85,259,995
	<u>99,542,151</u>	<u>102,808,592</u>

13. Financial risk management objectives and policies

Due to the nature of the Company's business, the only financial risks the directors consider relevant to this Company are credit, cash flow, interest rate and liquidity risk. The credit and cash flow risks are not considered significant as the client is a quasi governmental organisation.

Interest rate risk

The financial risk management objectives of the Company are to ensure that financial risks are mitigated by the use of financial instruments where they cannot be addressed by means of contractual provisions. The Company uses interest rate swaps to reduce its exposure to interest rate movements. Financial instruments are not used for speculative purposes.

Liquidity risk

The Company's liquidity risk is principally managed through financing the Company by means of long term borrowings.

ABC Schools Limited

Notes to the Financial Statements

Year Ended 31 December 2013

13. Financial risk management objectives and policies

(continued)

Fair values of financial assets and liabilities

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements at other than fair values:

	2013		2012	
	Carrying amount £	Fair value £	Carrying amount £	Fair value £
<i>Financial liabilities</i>				
Long term borrowing	(44,681,819)	(37,497,281)	(46,316,327)	(34,098,696)
Interest rate swap	—	(7,184,538)	—	(12,217,631)

The fair values of the fixed rate borrowing and the interest rate swap have been calculated by discounting the fixed cash flows at the prevailing interest rates at the year end.

14. Share capital

Authorised share capital:

	2013 £	2012 £
100 Ordinary shares of £1 each	100	100

Allotted, called up and fully paid:

	2013		2012	
	No	£	No	£
Ordinary shares of £1 each	10	10	10	10

15. Profit and loss account

	2013 £	2012 £
Balance brought forward	(2,000,864)	(2,312,532)
Profit for the financial year	370,885	311,668
Balance carried forward	(1,629,979)	(2,000,864)

ABC Schools Limited

Notes to the Financial Statements

Year Ended 31 December 2013

16. Reconciliation of movements in shareholders' funds

	2013	2012
	£	£
Profit for the financial year	370,885	311,668
Opening shareholders' deficit	(2,000,854)	(2,312,522)
Closing shareholders' deficit	<u>(1,629,969)</u>	<u>(2,000,854)</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 BIIF Holdco Limited are included in the accounts of that entity.

18. Ultimate parent company

The Company is a wholly owned subsidiary of ABC Schools (Holdings) Limited, a Company incorporated in Scotland, registered number SC281990. The financial statements of ABC Schools (Holdings) Limited can be obtained from Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.

The ultimate parent and controlling entity is BIIF LP. BIIF LP is owned by a number of investors, with no one investor having individual control.