

**Academy Services (Tendring) Limited**

Directors' report and financial statements

Registered number 04217720

For the year ended 31 March 2015

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## Strategic report

The directors present their strategic report for the year ended 31 March 2015.

### Principal activities and business review

The principal activity of the Company is the design, construction, refurbishment, financing and maintenance of twelve primary schools in the Tendring area in accordance with the terms of an agreement with Essex County Council (the "Authority"). This agreement together with a loan facilities agreement, a construction contract, a facilities management contract and other related contracts were signed on 11 October 2001. The concession period runs for a period of 32 years from this date.

### Business review

Academy Services (Tendring) Limited signed a 32-year contract with Essex County Council on 11 October 2001 for the design, construction, financing, maintenance and operation of twelve primary schools in Clacton.

#### *Key performance indicators (KPI's)*

##### 1. Performance deductions under the service contracts

Financial penalties are levied by the Authority in the event of performance standards not being achieved or parts of the school becoming unavailable for their anticipated use in accordance with the detailed criteria set out in the Project Agreement. Where appropriate, deductions are passed on to the service provider but the quantum is an indication of the Company's performance. For the year ended 31 March 2015 £41,000 deductions had been levied against the Company (2014: £18,000). This deduction equates to 5.3% (2014: 1.6%) of the total fees charged by the service providers. The Company's performance against this measure was considered to be satisfactory.

##### 2. Financial performance

The Directors have modelled the anticipated financial outcome of the project across the term of the agreement up to the end of the concession in 2033. The Directors monitor actual financial performance against this anticipated performance. As at 31 March 2015, the Company's performance against this measure was considered satisfactory. The specific KPI's are discussed below in the financial performance and financial position section.

The Company is providing a full range of facilities management services as required under the Project Agreement at a satisfactory level.

### Financial performance and financial position

The company made a pre-tax profit of £578,000 (2014: £746,000) for the year on a turnover of £2,003,000 (2014: £2,616,000). At 31 March 2015 the company had net assets of £42,000 (2014: £66,000).

During the year, the company paid £432,000 (2014: £710,000) in dividends to Academy Services (Holdings) Limited.

Financial covenants have been met during the year and, having considered the anticipated future performance and position of the company, the Directors are of the opinion that the covenants will continue to be met in the future.

During the year, the company has repaid £33,000 of the subordinated debt. Scheduled subordinated debt repayment dates are 31 March and 30 September each year. In the previous year, the company repaid a total of £30,000.

The Directors believe the FRS5 finance debtor to be recoverable over the life of the Concession Agreement.

## **Strategic report** *(continued)*

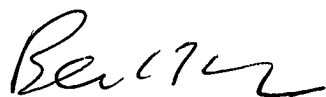
### **Principal risks and uncertainties**

Most of the performance risk under the concession contract is passed on to subcontractors. The company is exposed to the risk of non-performance by its subcontractors; however, penalties imposed by the Authority will be passed onto the subcontractor at fault under the terms of the subcontracts. During the financial year ended 31 March 2015 there were £41,000 in deductions (2014: £18,000).

Due to the nature of the business, in the opinion of the directors there are no other key performance indicators whose disclosure is necessary for an understanding of the development, performance or position of the business.

The Company's Project Agreement with the Authority exposes the Company to lifecycle risk. However, this has been mitigated by passing down lifecycle risk to the Service provider, which also provides maintenance on the schools.

On behalf of the Board



B. Dean

*Director*

04 June 2015

**Registered number:** 04217720

8 White Oak Square  
London Road  
Swanley  
Kent  
BR8 7AG

## Directors' report

The directors present their Directors' report and the audited financial statements for the year ended 31 March 2015.

### Directors

The directors who held office during the year were as follows:

B C Dean  
D J Brooking

### Financial reporting, risk and internal controls

The Company has outsourced the financial reporting function to HCP Management Services Limited (HCP). Authorities remain vested in the Board members of the Company. HCP reports regularly to the Board of the Company. The Board receives bi-monthly reports from HCP which specifically summarise and address the financial, contractual and commercial risks that the Company is exposed to, and are pertinent to the industry in which the Company operates. The Board also received bi-monthly management accounts with explanations of variances from annual budgets and forecasts, which are in turn compared to the Financial Model, which represent the long term business plan of the Company and outlines its ability to comply with debt obligations and covenants. Material deviations from the business plan are investigated and reported on. Supporting this process, HCP evaluates its performance under the framework of an Internal Audit and Assessment programme which sits within its own Corporate Governance framework.

This process ensures that the project remains robust and viable throughout the life of the contract.

### Political contributions

The company made no political contributions during the year (2014: £nil).

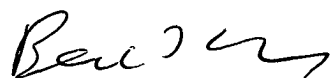
### Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the Board



**B Dean**  
Director

8 White Oak Square  
London Road  
Swanley  
Kent  
United Kingdom  
BR8 7AG

## **Statement of directors' responsibilities in respect of the Strategic report and the Directors' report and the financial statements**

The directors are responsible for preparing the Strategic report and 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **Independent auditor's report to the members of Academy Services (Tendring) Limited**

We have audited the financial statements of Academy Services (Tendring) Limited for the year ended 31 March 2015, set out on pages 7 to 17. 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 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 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**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **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 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with UK 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.

**Independent auditor's report to the members of Academy Services (Tendring) 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.



**Amanda Moses (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
100 Temple Street  
Bristol  
BS1 6AG



June 2015



**Profit and loss account**  
*for the year ended 31 March 2015*

	<i>Note</i>	<b>Year ended 31 March 2015 £000</b>	<b>Year ended 31 March 2014 £000</b>
<b>Turnover</b>	<b>2</b>	<b>2,003</b>	<b>2,616</b>
Other operating charges		(1,406)	(1,853)
<b>Operating profit</b>	<b>3</b>	<b>597</b>	<b>763</b>
Other interest receivable and similar income	<b>4</b>	<b>1,006</b>	<b>1,024</b>
Interest payable and similar charges	<b>5</b>	(1,025)	(1,041)
<b>Profit on ordinary activities before taxation</b>		<b>578</b>	<b>746</b>
Taxation	<b>6</b>	(170)	(36)
<b>Profit for the financial year</b>	<b>12</b>	<b>408</b>	<b>710</b>

The above results have all been derived from continuing operations.

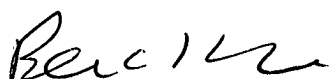
There is no difference between the historical cost result and the result stated above.

The notes on pages 10 to 17 form part of these financial statements.

**Balance Sheet**  
*at 31 March 2015*

	<i>Note</i>	<b>31 March 2015</b> £000	31 March 2014 £000
<b>Current assets</b>			
Debtors: amounts falling due within one year	7	824	815
Debtors: amounts falling due after one year	7	15,576	15,868
Cash at bank and in hand		3,104	3,256
		<hr/>	<hr/>
		19,504	19,939
<b>Creditors: amounts falling due within one year</b>	8	(3,440)	(3,127)
		<hr/>	<hr/>
<b>Net current assets</b>		16,064	16,812
<b>Creditors: amounts falling due after one year</b>	9	(15,007)	(15,800)
<b>Provision for liabilities and charges</b>	10	(1,015)	(946)
		<hr/>	<hr/>
<b>Net assets</b>		42	66
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	11	13	13
Profit and loss account	12	29	53
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>		42	66
		<hr/>	<hr/>

These financial statements were approved by the board on 04 June 2015 and were signed on its behalf by:



**B Dean**  
 Director

The notes on pages 10 to 17 form part of these financial statements.

**Reconciliation of movements in shareholders' funds**  
*For the year ended 31 March 2015*

	Year ended 31 March 2015	Year ended 31 March 2014
	£000	£000
Profit for the financial year	408	710
Dividends on shares classified as shareholders' funds	(432)	(710)
Net movement in shareholders' funds	(24)	-
Opening shareholders' funds	66	66
Closing shareholders' funds	42	66

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The accounting policies adopted are disclosed below.

#### ***Basis of preparation***

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards (United Kingdom Generally Accepted Accounting Practice).

Under FRS 1, the Company is exempt from the requirement to prepare a Cash flow Statement on the grounds of its size.

#### ***Going concern***

The directors have reviewed the Company's projected profits and cash flows by reference to a financial model covering accounting periods up to October 2033. They have also examined the current status of the Company's principal contracts and likely developments in the foreseeable future. Having reviewed the financial facilities available to the Company, the directors consider that the Company will be able to settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concern basis.

#### ***Finance debtor***

The Company is an operator of a Private Finance Initiative ("PFI") contract. The underlying asset is not deemed to be an asset of the Company under FRS5 Application Note F because the risks and rewards of ownership as set out in that standard are deemed to lie principally with the Authority.

During the construction phase of the project, all attributable expenditure is included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs are transferred to the finance debtor. During the operational phase income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS5 Application Note G. The Company recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

#### ***Deferred taxation***

In accordance with FRS19 "Deferred tax", deferred taxation is provided fully and on a non discounted basis at expected future corporation tax rates in respect of timing differences between profits computed for taxation and financial statements purposes.

#### ***Cash***

Cash and Cash equivalents includes £1,852,000 (2014:£1,935,000) restricted from use in the business by being held in the company's reserve accounts under the terms of its facility and operating agreement.

### 2 Turnover

Turnover is recognised in accordance with the finance debtor accounting policy above. Turnover represents value of work done entirely in the UK and excludes value added tax.

## Notes (continued)

### 3 Operating profit

Year ended 31 March 2015	Year ended 31 March 2014
£000	£000

The following costs were incurred during the year:

Auditor's remuneration:

Audit of these financial statements	12	11
Services relating to taxation and iXBRL	7	7
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The company also paid the audit fee for its parent company in both the current year and the prior period. The directors' estimate of the fees attributable to Academy Services (Holdings) Limited is £1,000 (*Year ended 31 March 2014: £1,000*).

During the year Academy Services (Tendring) Limited was invoiced and paid £20,000 relating to directors' fees for the current year (2014:£20,000). The fees are payable to Innisfree Limited.

The company has no employees (2014: *nil*).

### 4 Other interest receivable and similar income

Year ended 31 March 2015	Year ended 31 March 2014
£000	£000
Interest received in respect of finance debtor	981
Interest receivable on bank deposits	25
	<hr/>
1,006	1,024
	<hr/>

### 5 Interest payable and similar charges

Year ended 31 March 2015	Year ended 31 March 2014
£000	£000
Interest payable on long term loans	892
Interest payable on unsecured subordinated loan stock	116
Amortisation of issue costs	17
	<hr/>
1,025	1,041
	<hr/>

## Notes (continued)

### 6 Taxation

#### a) Analysis of charge in year

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Current tax	101	-
Deferred tax (see note 10)	69	36
<b>Tax charge for the year / period</b>	<b>170</b>	<b>36</b>

#### b) Factors affecting the tax charge for the year

The tax assessed for the year is lower (2014: lower) than the standard rate of corporation tax in the UK 21% (2014: 23%). The differences are explained below:

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Profit on ordinary activities before tax	578	746
Current tax at 21% (2014: 23%)	121	172
<i>Effects of:</i>		
Finance debtor capital repayment	79	81
Capital allowances in excess of depreciation	(20)	(26)
Utilisation of tax losses	(79)	(227)
Other timing differences	-	-
<b>Total current tax</b>	<b>101</b>	<b>-</b>

#### Factors that may affect future tax charges

The company has tax losses of £75,000 (2014: £451,000) that will be utilised against profits generated in future years.

A reduction in the UK corporation tax rate from 23% to 21% (effective from 1 April 2013) was substantively enacted on 3 July 2012. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly.

The deferred tax asset as at 31 March 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

## Notes (continued)

### 7 Debtors: amounts falling due within one year

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Trade debtors	-	2
Prepayments and accrued income	86	84
Finance debtor	402	376
Council refinancing share	336	353
	<u>824</u>	<u>815</u>

The Council refinancing share resulted from the company refinancing its loans in March 2008. Under the terms of the company's concession contract, part of the savings that resulted from refinancing was shared with the Authority. The total amount of the savings owing to the Authority was settled in cash at the date of the refinancing and a corresponding debtor was recognised. The debtor balance is being amortised over the remaining life of the project.

### Debtors: amounts falling due after more than one year

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Finance debtor	<u>15,576</u>	<u>15,868</u>

The Unitary Charge Control Account (UCCA) is included in the finance debtor balance stated above. The balance on the Unitary Charge Control Account is a debit balance of £1,582,000 (2014: debit balance of £1,472,000).

## Notes (continued)

### 8 Creditors: amounts falling due within one year

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Trade creditors	466	88
Accruals and deferred income	66	46
Fixed rate swap receipt	154	168
RPI swap receipt	2,237	2,275
Other creditors	58	94
Borrowings: Unsecured loan stock	29	33
Term loan draw down	389	438
Less: unamortised issue costs	(15)	(15)
Corporation Tax	56	-
	<u>3,440</u>	<u>3,127</u>

As part of the refinancing described in note 7, the company negotiated new swap contracts. As a result of the renegotiation the company received £2,632,000 in cash from the swap counterparty. This gain is being recognised over the life of the related swap contracts which approximates to the remaining life of the project.

### 9 Creditors: amounts falling due after more than one year

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Life cycle retention	959	1,351
Borrowings: Unsecured loan stock	993	1,020
Term loan draw down	13,301	13,690
Less: unamortised issue costs	(246)	(261)
	<u>15,007</u>	<u>15,800</u>

Borrowings consist of:

Term loan facilities granted by Dexia Credit Local (London branch), which are secured on the assets of the Company. The loan facility is for a total value of £16,699,000 and is now in the repayment phase. As at 31 March 2015 there is £13,690,000 outstanding on the loan (2014: £14,128,000).

The loan facility is repayable from September 2003 to September 2033.



## Notes (continued)

### 9 Creditors: amounts falling due after more than one year (continued)

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Amounts repayable are as follows:		
Within one year	389	438
In more than one year but not more than two years	354	389
In more than two years but not more than five years	1,154	1,186
In more than five years	11,793	12,115
	<u>13,690</u>	<u>14,128</u>

The Unsecured Subordinated 11.1% Loan Stock is held 100% by Academy Services (Holdings) Limited, the holding company which is owned 100% by Innisfree Nominees Limited acting in its capacity as nominee for Innisfree Secondary Fund LP and is repayable in 50 semi annual instalments, the first instalment being paid on 30 September 2008.

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Amounts repayable are as follows:		
Within one year	29	33
In more than one year but not more than two years	27	30
In more than two years but not more than five years	87	89
In more than five years	879	901
	<u>1,022</u>	<u>1,053</u>

## Notes (continued)

### 10 Provisions for liabilities and charges

	<b>£000</b>
<b>Deferred tax</b>	
As at 1 April 2014	<b>946</b>
Charge for the year	<b>69</b>
As at 31 March 2015	<b>1,015</b>

The elements of deferred taxation are as follows:

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Other timing differences	1,030	1,036
Tax Losses	(15)	(90)
Deferred tax provision	<b>1,015</b>	<b>946</b>

### 11 Share capital

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
<i>Allotted, called up and fully paid</i>		
12,798 ordinary shares of £1 each	<b>13</b>	<b>13</b>

### 12 Profit and loss account

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Profit and loss account at start of financial year	53	53
Profit for the financial year	408	710
Dividends on shares classified in shareholders' funds	(432)	(710)
<b>Profit and loss account at end of financial year</b>	<b>29</b>	<b>53</b>

### **13 Related party disclosures**

The Company has entered into transactions in the ordinary course of business with its management service provider HCP Management Services Limited. HCP Holdings Limited, the parent company of HCP Management Services Limited, is invested with Funds under the management of Innisfree Limited, who also manage the funds invested in the Company. During the year the Company incurred costs of £78,000 (2014: £79,000) in respect of management services and other associated services to HCP Management services Limited. As at 31 March 2015 £nil (2014: £811) due to HCP Management Services Limited remains outstanding and is included in trade creditors.

The Company has entered into transactions in the ordinary course of business with HCP Social Infrastructure (UK) Limited. HCP Holdings Limited, the parent company of HCP Social Infrastructure (UK) Limited, is invested with Funds under the Management of Innisfree Limited, who also manage the funds invested in the Company. During the year the Company incurred costs of £22,000 (2014: £21,000) in respect of defect survey fees to HCP Social Infrastructure (UK) Limited. As at 31 March 2015 £nil (2014: £nil) due to HCP Social Infrastructure (UK) Limited remains outstanding and is included in trade creditors.

During the year ended 31 March 2015, the Company incurred £20,000 (2014: £20,000) in respect of directors' services from Innisfree Limited. As at 31 March 2015 £nil (2014: £nil) due to Innisfree Limited remains outstanding.

### **14 Parent undertakings**

The company is a wholly owned subsidiary, of Academy Services (Holdings) Limited, a company registered in England and Wales. The share capital of Academy Services (Holdings) Limited is held by Innisfree Nominees Limited acting in its capacity as nominee on behalf of the Innisfree PFI Secondary Fund.