Company Registration No. 04217720 (England and Wales)

ACADEMY SERVICES (TENDRING) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

ACADEMY SERVICES (TENDRING) LIMITED

COMPANY INFORMATION

Directors	Mr B Dean Mr D Brooking
Secretary	HCP Management Services Limited
Company number	04217720
Registered office	8 White Oak Square London Road Swanley Kent BR8 7AG
Auditor	KPMG LLP 66 Queen Square Bristol BS1 4BE

ACADEMY SERVICES (TENDRING) LIMITED

CONTENTS

The directors present their annual report and financial statements for the year ended 31 March 2018.

Principal activities

During the year, the principal activity of the company was to design, build, finance and operate twelve primary schools in accordance with a 32 year contract (the "Project Agreement") with Essex County Council (the "Council"). Contract negotiations were successfully completed on 11 October 2001 and construction commenced immediately. The project has been operational since October 2001.

On 28 September 2018 the Council served notice that they wished to terminate the Project Agreement on 30 September 2019 (the "Termination Date"). The Termination Date has been agreed by the company and all key stakeholders informed.

A termination payment will be due from the Council to the company on the Termination Date. The amount due is calculated as stipulated by the Project Agreement and covers all outstanding liabilities to senior lenders (Dexia Credit Local), subcontractor losses and future shareholder distributions (as forecast at financial close).

The company will cease trading after the Termination Date and settle all outstanding liabilities. A detailed review of all contractual obligations resulting from the termination of the Project Agreement has been performed and the Directors are confident that the company will be able to settle all liabilities as they fall due.

Due to the termination of the Project Agreement and as the Directors do not intend to acquire a replacement trade, the financial statements have not been prepared on the going concern basis, more details of which can be found in note 1.2 to these financial statements.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr B Dean
Mr D Brooking

Results and dividends

The results for the year are set out on page 6.

Ordinary dividends of £599,000 were declared and paid in the year (2017: £700,000).

The Directors do not recommend a further dividend.

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 receives bi-monthly management accounts with explanations of variances from annual budgets and forecasts, which are in turn compared to the Financial Model, which represents the long term business plan of the company and outlines its ability to comply with its 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.

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.

Statement of disclosure to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Registered office

The Company's Registered Office is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption. Accordingly, no strategic report has been prepared.

On behalf of the board

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Mr D Brooking

Director

20.12.18

ACADEMY SERVICES (TENDRING) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2018

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 they have elected to prepare the financial statements in accordance with applicable law and Section 1A of FRS102 *The Financial Reporting Standard applicable in the UK and the Republic of Ireland* (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

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 judgements and accounting estimates that are reasonable and prudent;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so as explained in note 1.2, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

ACADEMY SERVICES (TENDRING) LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ACADEMY SERVICES (TENDRING) LIMITED

Opinion

We have audited the financial statements of Academy Services (Tendring) Limited (the 'company') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards applicable to smaller entities, including Section 1A FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK) ") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethi cal requirements, including the FRC Ethical Standard. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - non-going concern basis of preparation

We draw attention to the disclosure made in note 1.2 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF ACADEMY SERVICES (TENDRING) LIMITED

Directors' responsibilities
As explained more fully in their statement set out on page 3, the directors are are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities
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.

Huw Brown (Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
66 Queen Square
Bristol
BS1 4BE

20 December 2018

ACADEMY SERVICES (TENDRING) LIMITED

STATEMENT OF TOTAL COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £'000	2017 £'000
Turnover	3	2,331	2,225
Operating costs		(1,643)	(1,581)
Other operating income	4	-	1,038
Operating profit		688	1,682
Interest receivable and similar income	8	2,049	943
Interest payable and similar expenses	9	(1,422)	(938)
Profit before taxation		1,315	1,687
Taxation	10	(299)	(347)
Profit for the financial year		1,016	1,340
Other comprehensive income			
Cashflow hedge recycled to profit and loss		511	-
Tax recognised in relation to cashflow hedge recycled to profit and loss		(87)	-
Effective portion of fair value changes in cashflow hedge arising in the year		-	(1,111)
Tax recognised in relation to change in fair value cash flow hedges		-	119
Other comprehensive income/(loss) for the year		424	(992)
Total comprehensive income/(loss) for the year		1,440	348

The accompanying notes on pages 9 to 20 form an integral part of these financial statements.

The Statement of Total Comprehensive Income has been prepared on the basis that all operations relate to continuing operations.

ACADEMY SERVICES (TENDRING) LIMITED

BALANCE SHEET

AS AT 31 MARCH 2018

	Notes	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Current assets					
Debtors falling due after one year	11	16,045		16,551	
Debtors falling due within one year	11	857		846	
Cash at bank and in hand		1,608		2,200	
		18,510		19,597	
Creditors: amounts falling due within one year	12	(3,000)		(3,436)	
Net current assets			15,510		16,161
Creditors: amounts falling due after more than one year	13		(19,723)		(21,199)
Provisions for liabilities	15		(837)		(853)
Net liabilities			(5,050)		(5,891)
Capital and reserves					
Called up share capital			13		13
Hedging reserve			(6,270)		(6,694)
Profit and loss reserves			1,207		790
Total equity			(5,050)		(5,891)

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with the provision of FRS 102 Section 1A - small entities.

The financial statements were approved by the board of directors and authorised for issue on 20th December 2018 and are signed on its behalf by:

Mr D Brooking
Director

Company Registration No. 04217720

ACADEMY SERVICES (TENDRING) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

	Share capital	Hedging reserve	Profit and loss reserves	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2016	13	(5,702)	150	(5,539)
Period ended 31 March 2017:				
Profit for the year	-	-	1,340	1,340
Other comprehensive income:				
Cash flow hedge losses arising in the year	-	(992)	-	(992)
Total comprehensive income for the year	-	(992)	1,340	348
Dividends	-	-	(700)	(700)
Balance at 31 March 2017	13	(6,694)	790	(5,891)
Period ended 31 March 2018:				
Profit for the year	-	-	1,016	1,016
Other comprehensive income:				
Cash flow hedge reclassified to the profit and loss	-	424	-	424
Total comprehensive income for the year	-	424	1,016	1,440
Dividends	-	-	(599)	(599)
Balance at 31 March 2018	13	(6,270)	1,207	(5,050)

1 Accounting policies

Company information

Academy Services (Tendring) Limited is a private company limited by shares incorporated, domiciled and registered in England, in the UK. The registered office is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

1.1 Accounting convention

These financial statements have been prepared in accordance with the provisions of FRS 102 Section 1A - small entities. There were no material departures from that standard.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared on the historical cost convention. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.2 Going concern

On 28 September 2018 the Council served notice that they wished to terminate the Project Agreement on 30 September 2019 (the "Termination Date"). The Termination Date has been agreed by the company and all key stakeholders informed.

A termination payment will be due from the Council to the company on the Termination Date. The amount due is calculated as stipulated by the Project Agreement and covers all outstanding liabilities to senior lenders (Dexia Credit Local), subcontractor losses and future shareholder distributions (as forecast at financial close).

The company will cease trading after the Termination Date and settle all outstanding liabilities. A detailed review of all contractual obligations resulting from the termination of the Project Agreement has been performed and the Directors are confident that the company will be able to settle all liabilities as they fall due.

Due to the decision to terminate the Project Agreement the directors do not consider it appropriate to prepare the financial statements on the going concern basis. The financial statements have therefore been prepared on a basis other than that of a going concern which includes, where appropriate, writing down the company's assets to net realisable value. Provision has also been made for any contractual commitments that have become onerous at the balance sheet date. The financial statements do not include any provision for the future costs of terminating the business of the company except to the extent that such costs were committed at the balance sheet date.

1.3 Turnover

Turnover is recognised in accordance with the service concession contract accounting policy. Turnover represents value of work done entirely in the United Kingdom and excludes value added tax. Turnover in relation to pass through and other revenue is recognised when the services are performed.

1.4 Cash and cash equivalents

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1 Accounting policies **(Continued)**

1.5 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Trade and other debtors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short term deposits.

Restricted cash

The company is obligated to keep a separate cash reserves in respect of requirements in the company's funding agreements. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £1,430,000 at the year end (2017: £1,445,000).

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

1 Accounting policies **(Continued)**

Classification of financial liabilities
Financial liabilities and equity instruments 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.

Basic financial liabilities
Basic financial liabilities, including trade and other creditors, bank loans and unsecured subordinated loans, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade and other creditors
Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings classified as basic financial instruments
Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Other financial liabilities
Derivatives, including interest rate swaps are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each reporting date. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

Financial liabilities and equity instruments 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.

1.6 Equity instruments
Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.7 Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable 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 that have been enacted or substantively enacted by the reporting end date.

1 Accounting policies **(Continued)**

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.8 Service concession contract accounting

The company is an operator of a Public Finance Initiative ("PFI") contract. As the company entered into the contract prior to the date of transition to FRS102 section 1A, the company has taken advantage of the exception in section 35.10 (i) of FRS 102, which permits it to continue to account for the service concession under the accounting policy applied under old UK GAAP. In particular, the underlying asset is not deemed to be an asset of the company under old UK GAAP, 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 was included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs were 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 FRS102 section 23. 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.

1.9 Interest receivable and interest payable

Interest payable and similar charges include interest payable on borrowings and associated ongoing financing fees.

Other interest receivable and similar income include interest receivable on funds invested and interest recognised on the finance debtor based upon the finance debtor accounting policy above.

1 Accounting policies **(Continued)**

1.10 Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in Other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

When a hedging instrument expires, or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

2 Judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Certain critical accounting judgements in applying the company's accounting policies are described below:

Critical judgements

With the exception of preparing these financial statements on the non-going concern basis, as explained in note 1.2, the following judgements have had the most significant effect on amounts recognised in the financial statements.

Service concession accounting

Accounting for the service concession contract and finance debtor requires estimation of service margins, finance debtor interest rates and associated amortisation profile which is based on forecasted results of the service concession contract. Lifecycle costs are a significant proportion of future expenditure . Given the length of the Company's service concession contract, the forecast of lifecycle costs is subject to significant estimation and uncertainty and changes in the amount and timing of expenditure could have material impacts. As a result, there is a significant level of judgement applied in estimating future lifecycle costs. To reduce the risk of misstatement, future estimates of lifecycle expenditure are prepared by maintenance experts on an asset by asset basis and periodic technical evaluations of the physical condition of the facilities are undertaken. In addition, comparisons of actual expenditure are compared to the lifecycle forecast.

Hedge Accounting

The directors consider at the balance sheet date hedged cashflows were expected to occur but were no longer considered highly probable. In making this judgement the directors considered all available information of future senior debt interest payments and unitary charge receipts.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2018	2017
	£'000	**£'000**
Turnover analysed by class of business		
Service revenue	2,198	2,120
Pass through and variation revenue	60	39
Other revenue	73	66
	2,331	2,225

4 Other operating income

	2018	2017
	£'000	**£'000**
Other operating income	-	1,038
	-	1,038

Other operating income is derived from derecognising a maintenance provision as a result of novating FM provider within prior year and has not reoccured this year.

5 Auditor's remuneration

	2018	2017
Fees payable to the company's auditor and associates:	**£'000**	**£'000**
For audit services		
Audit of the company's financial statements	12	12
For other services		
Taxation compliance services	7	6

6 Employees

The company had no employees during the year (2017:nil).

7 Directors' remuneration

The directors received no remuneration from the company for their services during the year (2017: £nil). However, a total payment of £20,000 (2017: £24,000) was made to a related party, Innisfree Limited, during the year for the services of the directors.

8 Interest receivable and similar income

	2018 £'000	2017 £'000
Fair value gain on financial derivatives	1,145	-
Interest receivable on bank deposits	6	15
Interest from finance debtor	898	928
Total income	2,049	943

The decision to terminate the Project Agreement means that the interest rate and RPI swaps no longer meet the conditions of hedge accounting under FRS102 12.18. At the balance sheet date future hedged cashflows were expected to occur but were no longer considered highly probable. The directors have therefore taken the decision to discontinue hedge accounting in the year ended 31 March 2018. The movement in the fair value of the swaps in the year was £1,145k and has been recognised as finance income.

9 Interest payable and similar expenses

	2018 £'000	2017 £'000
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	786	810
Interest on subordniated loans	125	128
Cash flow hedge recycled to profit and loss	511	-
	1,422	938

In accordance with FRS 102 12.23(d) the cumulative brought forward cash flow hedge loss of £6,694k is being reclassified from the cash flow hedge reserve to profit and loss in the same periods during which the expected future cash flows affect profit and loss. In the year ended 31 March 2018 £424k was reclassified to the profit and loss with £511k being recognised as a finance cost. A £87k credit was also reclassified to deferred tax in the profit and loss.

The formal notification of the termination of the Project Agreement will result in the remaining cumulative cash flow hedge loss being reclassified to the profit and loss in the year ended 31 March 2019 as at this point future hedged cash flows are no longer expected to occur.

10 Taxation

	2018 £'000	2017 £'000
Current tax		
UK corporation tax on profits for the current period	207	411
Deferred tax		
Origination and reversal of timing differences	(16)	(13)
Changes in tax rates	-	(51)
Cash flow hedge adjustments	108	-
Total deferred tax	92	(64)
Total tax expense	299	347

10 Taxation **(Continued)**

Included within the deferred tax charge in the year ended 31 March 2018 is a £195k charge relating to movement in the fair value of the swaps through profit and loss and a £87k credit relating to the reclassification of the cumulative cash flow hedge reserve to the profit and loss (2017:£Nil).

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2018 £'000	2017 £'000
Profit before taxation	1,315	1,687
Expected tax charge based on a corporation tax rate of 19.00% (2017 - 20.00%)	250	337
Effect of change in corporation tax rate	-	(51)
Finance debtor capital repayment	88	86
Capital allowances in excess of depreciation	(10)	(13)
Origination and reversal of timing differences	(29)	(12)
Tax expense for the year	299	347

The total tax charge as stated above has been recorded in the profit and loss account. The total tax charge going through the statement of other comprehensive income is £87k credit (2017: £119k). The £87k credit in the year ended 31 March 2018 is in relation to the reclassification of the cumulative cash flow hedge reserve to the proit and loss. The £119k charge in the year ended 31 March 2017 is in relation to the change in fair value of the cash flow hedges.

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. The deferred tax liability at balance sheet date has been calculated based on these rates.

11 Debtors

	2018	2017
Amounts falling due within one year:	**£'000**	**£'000**
Trade debtors	61	3
Finance debtor	493	461
Council Refinancing	280	299
Other debtors	23	83
	857	846
Amounts falling due after one year:		
Finance debtor	14,868	15,180
Deferred tax asset	1,177	1,371
	16,045	16,551
Total debtors	16,902	17,397

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 Council. The total amount of the savings owing to the Council was settled in cash at the date of the refinancing and a corresponding asset was recognised. The asset balance is being amortised over the remaining life of the project.

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 £2,258,000 (2017: debit balance of £2,078,000).

The deferred tax asset has been recognised on the fair value of the SWAP arrangements and the movement on the deferred tax recognised in profit and loss in the year ended 31 March 2018. In the year ended 31 March 2017 the movement in the deferred tax asset was recognised in equity within the profit and loss as the company had not discontinued hedge accounting.

All financial assets above are held at amortised cost.

The decision to terminate the Project Agreement does not cause any impairment of debtors. All amounts owed to the company at the balance sheet date are fully recoverable through the unitary charge and the contractual termination payment.

12 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Loans and overdrafts	346	547
Trade creditors	162	152
Corporation tax	93	298
Other taxation and social security	108	103
Other creditors	2,291	2,336
	3,000	3,436

As part of the refinancing described in note 11, 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. As at 31 March 2018 the balance held within Other creditors is £2,194k (2017: £2,267k).

All financial liabilities above are held at amortised cost.

13 Creditors: amounts falling due after more than one year

	2018 £'000	2017 £'000
Loans and overdrafts	12,801	13,133
Financial derivative liability	6,922	8,066
	19,723	21,199

Included within borrowings are term loan facilities granted by Dexia Credit Local (London branch), which are secured on the assets of the Company. The gross loan facility is for a total value of £16,699,000 and is now in the repayment phase. As at 31 March 2018 there is a gross outstanding loan value of £12,437,000 (2017: £12,946,000).

The loan facility is repayable from September 2003 to September 2033. On 30 September 2019 when the Project Agreement is terminated all outstanding loans and financial derivatives owed to Dexia Credit Local will fall due. As a result the directors consider it appropriate to classify the above amounts as due after more than one year.

On 30 September 2019 the holders of the loan notes will have the right to redeem all outstanding loans together with accrued interest.

The Financial derivative liability relates to two cash flow swaps entered into with Dexia Credit Local to hedge against interest rate and RPI fluctuations. Upon termination of the Project Agreement the swap agreements will be terminated and all breakage fees paid to Dexia Credit Local. The company will be compensated in full for these costs as part of the termination payment due from the Council.

As explained more fully in note 8, hedge accounting was discontinued in the year ended 31 March 2018 as future hedged cashflows were no longer considered highly probable.

14 Loans and overdrafts

	2018 £'000	2017 £'000
Bank loans	12,220	12,715
Subordinated loans	927	965
	13,147	13,680
Payable within one year	346	547
Payable after one year	12,801	13,133

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.

15 Provisions for liabilities

	2018 £'000	2017 £'000
Deferred tax liabilities	837	853
	837	853

16 Related party transactions

Innisfree PFI Secondary Fund is the shareholder of the company's parent undertaking, Academy Services (Holdings) Limited, through their nominee Innisfree Nominees Limited.

As at 31 March 2018 the company owed £927,000 (2017: £965,000) under a subordinated loan agreement to the parent company's shareholders. During the year ended 31 March 2018 the company incurred £106,000 (2017: £109,000) in respect of subordinated interest. As at 31 March 2018 £10,000 (2017: £nil) was due to the shareholders, Innisfree PFI Secondary Fund, in respect of subordinated interest.

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 £140,000 (2017: £165,000) in respect of management services and other associated services to HCP Management services Limited. As at 31 March 2018 £Nil (2017: £2,000) 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 £2,000 (2017: £2,000) in respect of defect survey fees; expenses and tagging services to HCP Social Infrastructure (UK) Limited. As at 31 March 2018 £nil (2017: £nil) due to HCP Social Infrastructure (UK) Limited remains outstanding and is included in trade creditors.

During the year ended 31 March 2018, the Company incurred £23,000 (2017: £24,000) in respect of directors' services from Innisfree Limited. As at 31 March 2018 £3,000 (2017: £5,000) due to Innisfree Limited remains outstanding.

17 Parent company

The company is a wholly owned subsidiary of Academy Services (Holdings) Limited, which the directors regard as the controlling party, a company registered in England in the UK. The registered office of Academy Services (Holdings) Limited is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG. In the directors' opinion, the ultimate parent undertaking and controlling party at the balance sheet date is Innisfree PFI Secondary Fund. The registered office of Innisfree PFI Secondary Fund is 1st Floor Boundary House, 91-93 Charterhouse Street, London, EC1M 6HR. The accounts of the holding company are not consolidated in the accounts of any other entity.

18 Post balance sheet events

On 28 September 2018 the Council served notice that they wished to terminate the Project Agreement on 30 September 2019 (the "Termination Date"). The Termination Date has been agreed by the company and all key stakeholders informed.

A termination payment will be due from the Council to the company on the Termination Date. The amount due is calculated as stipulated by the Project Agreement and covers all outstanding liabilities to senior lenders (Dexia Credit Local), subcontractor losses and future shareholder distributions (as forecast at financial close).

The company will cease trading after the Termination Date and settle all outstanding liabilities. A detailed review of all contractual obligations resulting from the termination of the Project Agreement has been performed and the Directors are confident that the company will be able to settle all liabilities as they fall due.