

Academy Services (Waltham Forest) Limited

**Directors' report and financial
statements**

Registered number 04954268

30 June 2011

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Contents

Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	4
Independent Auditor's Report to the members of Academy Services (Waltham Forest) Limited	5
Profit and Loss Account	7
Balance Sheet	8
Notes	9

Company information

Directors

B Semple
B Dean

Company Secretary

P Matthews

Registered Office

8 White Oak Square
London Road
Swanley
Kent BR8 7AG

Auditors

KPMG Audit Plc
Arlington Business Park
Theale
Reading
RG7 4SD

Registered Number

04954268

Directors' report

The directors present their Directors' Report and the audited financial statements for the year ended 30 June 2011

Principal activities and business review

The principal activity of the Company is the design, construction, refurbishment, financing and maintenance of seven schools in the Waltham Forest area in accordance with the terms of an agreement with Waltham Forest Borough Council. That agreement together with a loan facilities agreement, a construction contract, a facilities management contract and other related contracts were signed on 15 March 2004. The concession period runs until 30 April 2036.

Principal risks and uncertainties

London Borough of Waltham Forest is the Company's sole client. However, the directors consider that no significant risk arises from such a client base as the council is legally bound to the obligation for the project term.

Performance risk under the Project Agreement has been passed down to the Company's service provider and building contractor. The obligations of these parties are underwritten by parent company guarantees.

The Company is also exposed to lifecycle risk on the project. However, this risk has been mitigated by the appointment of an experienced subcontractor and also regular review of lifecycle activity by the Board.

Performance deductions under the Concession Agreement

Financial penalties are levied by London Borough of Waltham Forest in the event of the Company failing to make areas of the schools available for its use (availability deductions) and in the event of service performance not being achieved according to detailed criteria set out in the Concession Agreement (performance deductions). Any such deductions are passed down to the service provider and their quantum is an indication of the level of performance achieved. In the year to 30 June 2011, cumulative deductions amounted to £22,000 (30 June 2010 £54,000) representing 0.75% of revenue receivable from the London Borough of Waltham Forest.

Financial performance

The Company has modelled the anticipated financial performance of its concession across its full term. The Company monitors its actual performance against the anticipated performance. At 30 June 2011, the Company's performance against this measure was satisfactory.

Results and dividend

	2011 £	2010 £
Profit for the year after taxation dealt with in the financial statements is	196,000	24,000

The directors recommended the payment of an interim dividend of £170,000 (2010 £Nil).

Directors

The directors of the company who served during the year were as follows:

S Patkunanathan	(appointed 7 January 2010 and resigned 21 October 2010)
B Semple	(appointed 9 September 2010)
J Graham	(appointed 7 January 2010 and resigned 9 September 2010)
B Dean	(appointed 1 November 2010)

Directors' report *(continued)*

Disclosure of information to auditors

As far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware and each of us has taken all the steps that he / she ought to have taken in order to make him/herself aware of any relevant audit information and to establish that the Company's auditor is aware of such information

Auditors

In accordance with Section 487 of the Companies Act 2006, the auditors are deemed to be re-appointed and, having agreed to the re-appointment, KPMG Audit Plc will therefore continue in

By order of the board



B Semple
Director

8 White Oak Square
Swanley
Kent
BR8 7AG

24 November 2011

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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 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 apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are also 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 (Waltham Forest) Limited

We have audited the financial statements of Academy Services (Waltham Forest) Limited for the year ended 30 June 2011 set out on pages 7 to 15. 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 auditors' 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 (APB'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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 30 June 2011 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 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
(Waltham Forest) 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



A Moses (Senior Statutory Auditor)
For and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
Arlington Business Park
Theale
Reading
RG7 4SD

 November 2011

Profit and Loss Account
for the year ended 30 June 2011

	<i>Note</i>	2011 £000	2010 £000
Turnover	2	2,951	2,328
Other operating charges		(2,748)	(2,194)
Operating profit	3	203	134
Interest receivable and similar income	4	3,184	3,257
Interest payable and similar charges	5	(3,117)	(3,361)
Profit on ordinary activities before taxation		270	30
Taxation	6	(74)	(6)
Profit for the financial year		196	24

The above results have all been derived from continuing operations

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

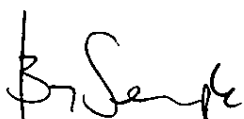
The notes on pages 9 to 15 form part of these financial statements

Balance Sheet

at 30 June 2011

	Note	2011 £000	2010 £000
Current assets			
Debtors amounts falling due within one year	7	1,822	1,611
Debtors amounts falling due after one year	8	37,158	39,750
		<hr/>	<hr/>
		38,980	41,361
Cash at bank and in hand		7,840	7,844
		<hr/>	<hr/>
		46,820	49,205
Current liabilities			
Creditors amounts falling due within one year	9	(4,844)	(4,458)
		<hr/>	<hr/>
Total assets less current liabilities		41,976	44,747
Creditors: amounts falling due after one year	10	(41,894)	(44,691)
		<hr/>	<hr/>
Net assets		82	56
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	11	-	-
Profit and loss account	13	82	56
		<hr/>	<hr/>
Equity shareholders' funds		82	56
		<hr/>	<hr/>

These financial statements were approved by the board on 24 November 2011 and were signed on its behalf by



B Semple
Director

The notes on pages 9 to 15 form part of these financial statements

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 March 2037. 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.

Major maintenance costs are recognised on an incurred basis and the revenue receivable in respect of these services is recognised when these services are performed.

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.

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

	2011 £000	2010 £000
The following costs were incurred during the period		
Auditors' remuneration	10	11
Audit of these financial statements	5	3
Taxation services		

The company also paid the audit fee for its parent company in both years

The directors received no remuneration during the current or prior year The company had no employees in either the current or prior year, other than the directors

4 Interest receivable and similar income

	2011 £000	2010 £000
Interest receivable in respect of finance debtor	3,141	3,245
Interest receivable bank deposits	43	12
	<u>3,184</u>	<u>3,257</u>

5 Interest payable and similar income

	2011 £000	2010 £000
Interest payable on long term loans	2,549	2,710
Interest payable on unsecured sub-ordinated loan stock	549	632
Amortisation of issue costs	19	19
	<u>3,117</u>	<u>3,361</u>

Notes (continued)

6 Taxation

Analysis of charge in period

	2011 £000	2010 £000
<i>Current tax</i>		
UK corporation tax based on the results for the year	54	-
Adjustment in respect of prior years	3	-
	<hr/> 57	<hr/> -
Deferred tax	17	6
	<hr/> 74	<hr/> 6
Tax charge for the year	<hr/> <hr/> 74	<hr/> <hr/> 6

Factors affecting the tax charge for the year

The tax charge is lower than the standard rate of corporation tax in the UK (27.5% (2010 28%)). The differences are explained below

	2011 £000	2010 £000
Profit on ordinary activities before tax	270	30
Profit on ordinary activities multiplied by the standard rate of corporation tax at 27.5% (2010 28%)	74	6
Utilisation of losses	(20)	(6)
Adjustment in respect of prior years	3	-
	<hr/> 57	<hr/> -
Current tax	<hr/> <hr/> 57	<hr/> <hr/> -

Notes (continued)

6 Taxation (continued)

The Company has no further tax losses (2010 £68,000) carried forward at the year end

On 23 March 2011 the Chancellor announced that the main rate of UK corporation tax will reduce from 28% to 26% with effect from 1 April 2011. This tax change became substantively enacted in 29 March 2011 and therefore the effect of the rate reduction has been included in the calculation of the current tax above.

On 5 July 2011, the reduction in the main rate of UK corporation tax to 25 per cent with effect from 1 April 2012 was also substantively enacted. The Chancellor also proposed changes to further reduce the main rate of corporation tax by one per cent per annum to 23 per cent by 1 April 2014.

7 Debtors: amounts falling due within one year

	2011 £000	2010 £000
Trade debtors	258	21
Finance debtor	1,529	1,564
Prepayments and accrued income	35	7
Deferred tax asset	-	19
	<u>1,822</u>	<u>1,611</u>

The deferred tax asset relates to tax losses carried forward.

8 Debtors: amounts falling due after more than one year

	2011 £000	2010 £000
Finance debtor	<u>37,158</u>	<u>39,750</u>

The Unitary Charge Control Account (UCCA) is included net against the finance debtor balance stated above. The balance in the UCCA at 30 June 2011 is a credit balance of £8,198,000 (2010 credit £7,155,000).

Notes (continued)

9 Creditors: amounts falling due within one year

	2011	2010
	£000	£000
Trade creditors	343	272
Term loan	2,461	2,490
Unsecured sub-ordinated loan stock	354	287
Accruals	1,353	1,123
VAT	306	286
Corporation tax	27	-
	4,844	4,458

In accordance with FRS 4, issue costs have been offset against the related loans and are being amortised over the duration of the facilities. Issue costs offset as at 30 June 2011 are £19,000 (2010: £19,000)

10 Creditors: amounts falling due after more than one year

	2011	2010
	£000	£000
Borrowings		
Term loan	38,648	41,129
Unsecured sub-ordinated loan stock	3,702	4,056
Less: unamortised issue costs	(456)	(494)
	41,894	44,691

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 £59,038,000 of which £41,128,000 was drawn down at 30 June 2011 (2010: £43,619,000)

The loan facility is repayable from September 2003 to September 2033

Notes (continued)

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

	£000
Amounts repayable are as follows	
Within one year	2,480
In more than one year but not more than two years	2,340
In more than two years but not more than five years	7,206
In more than five years	29,102
	<hr/>
	41,128
	<hr/>

Interest is charged on amounts drawn under the senior loan facility based on floating LIBOR. The Company has entered into an interest hedging agreement to be applied to the expected future borrowings on the facility, which fixes the interest rate at 5.11% until September 2033.

The Unsecured Subordinated 13% Loan Stock is held 100% by Academy Services (Holdings) Limited, the holding company which is owned 100% by Innisfree Nominees Ltd.

11 Share capital

	2011 £	2010 £
<i>Allotted, called up and fully paid</i>		
100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>

12 Reconciliation of movements in shareholders' funds

	2011 £000	2010 £000
Shareholders' funds/at beginning of year	56	32
Profit for the financial year	196	24
Dividends	(170)	-
	<hr/>	<hr/>
Shareholders' funds at end of year	82	56
	<hr/>	<hr/>

Notes (continued)

13 Profit and loss account

	2011 £000
At beginning of year	56
Profit for the financial year	196
Dividends	(170)
	<hr/>
At end of year	82
	<hr/>

14 Related party disclosures

During the period the Company entered into transactions, in the ordinary course of business, with related parties

	Purchases from related parties services £000	Amounts owed to related parties at 30 June £000
<i>Year ended 30 June 2011</i>		
NewSchools Limited	142	-
Innisfree Limited	41	11
	<hr/>	<hr/>
<i>Year ended 30 June 2010</i>		
NewSchools Limited	33	33
Innisfree Limited	10	10
	<hr/>	<hr/>

Innisfree Limited is the fund manager for Innisfree Secondary Fund LP, who is the beneficial owner of the immediate holding company, Academy Services (Waltham Forest) Holdings Limited

NewSchools Limited is a management services company whose beneficial owners include Innisfree Secondary Fund LP

15 Parent undertakings

The Company is a wholly owned subsidiary of Academy Services (Waltham Forest) Holdings Limited, a company incorporated in the United Kingdom and registered in England and Wales. The share capital of Academy Services (Waltham Forest) Holdings Limited is held 100% by Innisfree Nominees Limited, acting in its capacity as custodian of the partnership assets of the Innisfree Secondary Fund LP. The Innisfree Secondary Fund LP acts through its fund manager Innisfree Limited.