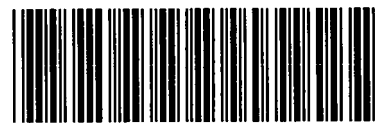


Academy Services (Waltham Forest) Limited
Annual report and financial statements

Year ended 31 March 2014
Registered number: 04954268

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Company information

Directors

B Dean
D Brooking

Company Secretary

M Rollings (resigned 2 January 2014)
HCP Management Services Limited (appointed 2 January 2014)

Registered Office

8 White Oak Square
London Road
Swanley
Kent
BR8 7AG

Auditor

KPMG LLP
100 Temple Street
Bristol
BS1 6AG

Registered Number

04954268

Strategic report

The directors present their Strategic report for the year ended 31 March 2014.

Business review

The Company has entered into a Project Agreement (the "Project") in March 2004 with Waltham Forest Borough Council, together with an associated construction contract, funding agreements, hard and soft services contracts and ancillary project agreements. The Project is for a primary term from the date of signing the Project Agreement in September 2003 until the concession period ends on 30 April 2036.

The profit after tax for the year is £401,000 (2013: £439,000).

Key performance indicators

1. Performance deductions under service contracts

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 31 March 2014, cumulative deductions amounted to £3,243 (2013: £3,000) representing 0.04% (2013: 0.04%) of revenue receivable from the London Borough of Waltham Forest. 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 its full term. The directors monitor actual financial performance against this anticipated performance. 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, and the Company will therefore continue in business.

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

Turnover for the year is £3,541,000 (2013: £3,679,000), of which the main component is service fee income (net of deductions) of £3,223,000 (2013: £3,317,000).

The result before tax for the year is a profit of £521,000 (2013: £578,000).

During the year, the Company has repaid £2,650,000 (2013: £2,340,000) of the loan as scheduled, with repayment dates scheduled for 31 March and 30 September each year.

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

Principal risks and uncertainties

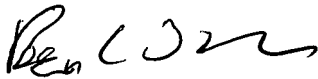
Performance risk under the Project Agreement and related contracts are passed on to the service providers and to the building contractor. The obligations of these subcontractors are supported either by performance guarantees issued by banks or by parent company guarantees.

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.

Strategic report *(continued)*

Approved by the Board of Directors
and signed on behalf of the Board

B Dean
Director



14 July 2014

Registered number: 04954268

8 White Oak Square
London Road
Swanley
Kent
BR8 7AG

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2014.

Financial reporting

The Company has outsourced the financial reporting function to HCP Social Infrastructure (UK) Limited ("HCP"). Authorities remain vested in the Board Members of the Company. HCP reports regularly to the Board of the Company. The Board receives 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 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.

Dividends

The directors recommended the payment of an interim dividend of £408,000 (2013: £453,000).

Directors

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

B Dean
D Brooking

None of the directors who held office during the year had any interest to disclose in the shares of the Company.

Employees

There were no employees during the year (2013: Nil).

Political contributions

The Company made no political contributions during the year (2013: £nil).

Disclosure of information to auditor

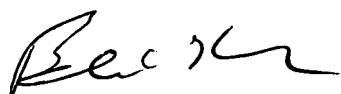
The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself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

Auditor

KPMG Audit Plc resigned as auditor on 15 January 2014 pursuant to section 516 of the Companies Act 2006. On 15 January 2014 the directors appointed KPMG LLP as auditor of the Company to fill the casual vacancy as auditor under section 485(3) of the Companies Act 2006.

Approved by the Board of Directors
and signed on behalf of the Board

B Dean
Director



8 White Oak Square
Swanley
Kent
BR8 7AG

14 July 2014

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 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 31 March 2014 set out on pages 7 to 16. 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 5, 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

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 2014 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 the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



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

15 July 2014

Profit and loss account
for the year ended 31 March 2014

	<i>Note</i>	2014 £000	2013 £000
Turnover	2	3,541	3,679
Other operating charges		(3,241)	(3,300)
Operating profit	3	300	379
Interest receivable and similar income	4	2,857	2,970
Interest payable and similar charges	5	(2,636)	(2,771)
Profit on ordinary activities before taxation		521	578
Taxation on profit on ordinary activities	6	(120)	(139)
Profit for the financial year	12	401	439

There were no other gains and losses for the year other than the profit stated above.

The above results have all been derived from continuing operations.

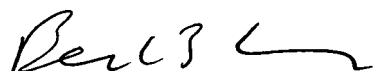
The notes on pages 10 to 16 form part of these financial statements.

Balance sheet
at 31 March 2014

	<i>Note</i>	2014 £000	2013 £000
Current assets			
Debtors: amounts falling due within one year	7	1,523	1,482
Debtors: amounts falling due after one year	8	30,681	33,169
		<hr/>	<hr/>
		32,204	34,651
Cash at bank and in hand		5,201	6,229
		<hr/>	<hr/>
		37,405	40,880
Current liabilities			
Creditors: amounts falling due within one year	9	(3,485)	(4,644)
		<hr/>	<hr/>
Total assets less current liabilities		33,920	36,236
Creditors: amounts falling due after one year	10	(33,892)	(36,201)
		<hr/>	<hr/>
Net assets		28	35
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	11	-	-
Profit and loss account	12	28	35
		<hr/>	<hr/>
Equity shareholders' funds	12	28	35
		<hr/>	<hr/>

The notes on pages 10 to 16 form part of these financial statements.

These financial statements were approved by the Board on 14 July 2014 and were signed on its behalf by:



B Dean
Director

Company Registration No 04954268 (England and Wales)

Reconciliation of movements in equity shareholders' funds
for the year ended 31 March 2014

	2014	2013
	£000	£000
Profit for the year	401	439
Dividends on shares classified as equity shareholders' funds	(408)	(453)
	<hr/>	<hr/>
Net movement in equity shareholders' funds	(7)	(14)
Opening equity shareholders' funds	35	49
	<hr/>	<hr/>
Closing equity shareholders' funds	28	35
	<hr/>	<hr/>

The notes on pages 10 to 16 form part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

The accounting policies adopted are disclosed below.

a) 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.

b) 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.

c) 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.

d) 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.

All turnover relates solely to continuing activities in a single class of business within the United Kingdom.

Notes (continued)

3 Operating profit

2014	2013
£000	£000

The following costs were incurred during the year:

Auditor's remuneration:

Audit of these financial statements

10	9
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Taxation services

9	5
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The 2013 auditor's remuneration for statutory audit services relate solely to amounts paid to KPMG Audit Plc. The 2014 amounts relate solely to amounts paid to KPMG LLP.

The Company also paid the audit fee for its parent company of £2,000 in both the current year and prior year.

The directors received no remuneration in either year. The Company has no employees (2013: Nil)

4 Interest receivable and similar income

2014	2013
£000	£000

Interest receivable in respect of finance debtor

2,809	2,925
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Interest receivable on bank deposits

48	45
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2,857	2,970
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5 Interest payable and similar charges

2014	2013
£000	£000

Interest payable on long term loan

2,163	2,278
--------------	--------------

Interest payable on unsecured subordinated loan stock

454	474
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Amortisation of issue costs

19	19
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2,636	2,771
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Notes *(continued)*

6 Taxation

	2014 £000	2013 £000
<i>Current tax</i>		
UK corporation tax based on the results for the year	120	139
Adjustment in respect of prior periods	-	-
	<hr/>	<hr/>
	120	139
 Deferred tax	 -	 -
	<hr/>	<hr/>
Tax charge for the year	120	139
	<hr/> <hr/>	<hr/> <hr/>

The tax is equal to *(2013: equal to)* the standard rate of corporation tax in the UK of 23% *(2013: 24%)*.

Factors that may effect future tax charges

Reductions in the UK corporation tax rate from 24% to 23% (effective 1 April 2013) were substantively enacted on July 2012 respectively. 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.

Notes (continued)

7 Debtors: amounts falling due within one year

	2014 £000	2013 £000
Trade debtors	1	17
Finance debtor	1,488	1,417
Prepayments and accrued income	34	48
	<u>1,523</u>	<u>1,482</u>

8 Debtors: amounts falling due after more than one year

	2014 £000	2013 £000
Finance debtor	<u>30,681</u>	<u>33,169</u>

The Unitary Charge Control Account (UCCA) is included net against the finance debtor balance stated above. The balance in the UCCA at 31 March 2014 is a credit balance of £10,577,000 (2013: credit £9,577,000).

9 Creditors: amounts falling due within one year

	2014 £000	2013 £000
Trade creditors	110	266
Term loan	2,125	2,631
Unsecured subordinated loan stock	184	592
Accruals	719	790
VAT	288	295
Corporation tax	59	70
	<u>3,485</u>	<u>4,644</u>

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 against loans due within one year as at 31 March 2014 are £22,000 (2013: £19,000).

Notes *(continued)*

10 Creditors: amounts falling due after more than one year

	2014	2013
	£000	£000
Borrowings: Term loan	31,512	33,659
Unsecured subordinated loan stock	2,781	2,965
Less: unamortised issue costs	(401)	(423)
	<hr/> 33,892 <hr/>	<hr/> 36,201 <hr/>

Borrowings consist of:

(a) Term loan

Term loan facilities granted by Dexia Credit Local (London branch), which are secured on the assets of the Company. The loan facility was for a total value of £59,038,000 of which £33,659,000 remains drawn down at 31 March 2014 (2013: £36,309,000). The loan facility is repayable from September 2003 to September 2033.

	£000
Amounts repayable are as follows:	
Within one year	2,147
In more than one year but not more than two years	2,409
In more than two years but not more than five years	7,094
In more than five years	22,009
	<hr/> 33,659 <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.

(b) Unsecured Subordinated Loan Stock

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

	£000
Amounts repayable are as follows:	
Within one year	184
In more than one year but not more than two years	553
In more than two years but not more than five years	401
In more than five years	1,827
	<hr/> 2,965 <hr/>

Notes (continued)

11 Share capital

	2014	2013
	£	£
100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>

12 Profit and loss account

	£000
At 1 April 2013	35
Profit for the financial year	401
Dividends on shares classified in shareholders' funds	(408)
	<hr/>
At 31 March 2014	28
	<hr/>

13 Related party disclosures

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

	Purchases from related parties services	Amounts owed to related parties at year end
	£000	£000
Year ended 31 March 2014:		
Innisfree Limited	54	-
HCP Management Service Limited	151	-
	<hr/>	<hr/>
Year ended 31 March 2013::		
Innisfree Limited	45	-
HCP Management Service Limited	149	-
	<hr/>	<hr/>

Under the terms of the Investors' Agreement, Innisfree Limited provide the Company with the directors. Innisfree Limited is the fund manager for Innisfree PFI Secondary Fund.

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.

Notes *(continued)*

14 Ultimate parent company

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 nominee of Innisfree Secondary Fund LP.