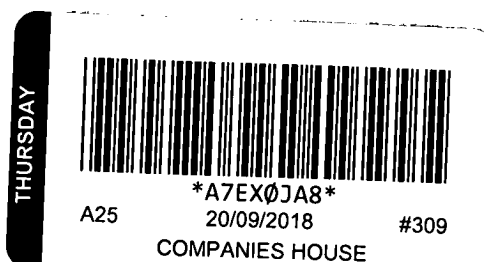


Company Registration No. 04954268 (England and Wales)

ACADEMY SERVICES (WALTHAM FOREST) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018



ACADEMY SERVICES (WALTHAM FOREST) LIMITED

COMPANY INFORMATION

Directors	Mr B Dean Mr A Watson
Secretary	HCP Management Services Limited
Company number	04954268
Registered office	8 White Oak Square London Road Swanley Kent BR8 7AG
Auditor	KPMG LLP 66 Queen Square Bristol BS1 4BE

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

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ACADEMY SERVICES (WALTHAM FOREST) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2018

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

Principal activities

The principal activity of the company is to design, build, finance and operate six primary and one secondary school in the London Borough of Waltham Forest in accordance with a 33 year contract (the "Project Agreement") with Waltham Forest Borough Council (the "Authority"). Contract negotiations were successfully completed on 15 March 2004 and construction commenced immediately. The project has been fully operational since July 2006.

The directors do not foresee any change in the activities of the company.

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 A Watson

Results and dividends

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

Interim dividends were paid amounting to £736,000 (2017: £659,000). The directors do not recommend payment of a final 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 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.

Auditor

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

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

Statement of disclosure to the auditor

Each of the directors in office at the date of approval of this annual report confirms that:

- So far as the director is aware, there is no relevant audit information of which the company's auditor is unaware and
- the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditor is aware of that information

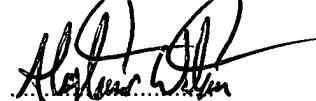
This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Registered office

The Company's Registered Office is 8 White Oak Square, 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



Mr A Watson

Director

11/5/18

ACADEMY SERVICES (WALTHAM FOREST) 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 UK applicable law (UK Generally Accepted Accounting Practice applicable to Smaller Entities), including Section 1A of FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*

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; and
- 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 to do so.

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 the 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 (WALTHAM FOREST) LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ACADEMY SERVICES (WALTHAM FOREST) LIMITED

Opinion

We have audited the financial statements of Academy Services (Waltham Forest) 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, including Section 1A of 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 ethical requirements, including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going Concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and 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 that report has 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.

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ACADEMY SERVICES (WALTHAM FOREST) LIMITED

Responsibilities of directors

As explained more fully in their statement set out on page 3, the directors 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 for the audit of the financial statements

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 our opinion in an auditor's report. 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 (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

66 Queen Square

Bristol

BS1 4BE

19/9/18

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

STATEMENT OF TOTAL COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £'000	2017 £'000
Turnover	3	4,122	3,416
Operating costs		(3,733)	(3,099)
Operating profit		389	317
Interest receivable and similar income	7	2,425	2,547
Interest payable and similar expenses	8	(1,898)	(2,036)
Profit before taxation		916	828
Taxation	9	(175)	(174)
Profit for the financial year		741	654
Other comprehensive income			
Effective portion of fair value change in cash flow hedge arising in the year		1,898	97
Tax recognised in relation to change in fair value cash flow hedges		(323)	(103)
Other comprehensive income for the year		1,575	(6)
Total comprehensive profit for the year		2,316	648

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

The accompanying notes on pages 9 to 19 form an integral part of these financial statements.

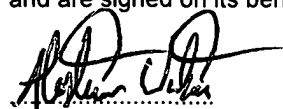
ACADEMY SERVICES (WALTHAM FOREST) LIMITED

BALANCE SHEET

AS AT 31 MARCH 2018

	Notes	2018 £'000	2017 £'000
Current assets			
Debtors falling due after one year	10	22,816	24,595
Debtors falling due within one year	10	1,611	1,970
Cash at bank and in hand		5,243	5,068
		<u>29,670</u>	<u>31,633</u>
Creditors: amounts falling due within one year	11	(3,200)	(3,067)
Net current assets		26,470	28,566
Creditors: amounts falling due after more than one year	12	(31,984)	(35,659)
Net liabilities		<u>(5,514)</u>	<u>(7,093)</u>
Capital and reserves			
Called up share capital	15	-	-
Hedging reserve		(5,550)	(7,124)
Profit and loss reserves		36	31
Total equity		<u>(5,514)</u>	<u>(7,093)</u>

The financial statements were approved by the board of directors and authorised for issue on 11/09/18 and are signed on its behalf by:



Mr A Watson
Director

Company Registration No. 04954268

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018

	Share capital	Hedging reserve	Profit and loss reserves	Total
Notes	£'000	£'000	£'000	£'000
Balance at 1 April 2016	-	(7,118)	36	(7,082)
Period ended 31 March 2017:				
Profit for the year	-	-	654	654
Other comprehensive income:				
Cash flow hedges gains arising in the year	-	97	-	97
Tax relating to other comprehensive income	-	(103)	-	(103)
Total comprehensive income for the year	-	(6)	654	648
Dividends	-	-	(659)	(659)
Balance at 31 March 2017	-	(7,124)	31	(7,093)
Period ended 31 March 2018:				
Profit for the year	-	-	741	741
Other comprehensive income:				
Cash flow hedges gains arising in the year	-	1,898	-	1,898
Tax relating to other comprehensive income	-	(323)	-	(323)
Total comprehensive income for the year	-	1,575	741	2,316
Dividends	-	-	(736)	(736)
Balance at 31 March 2018	-	(5,550)	36	(5,514)

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

1 Accounting policies

Company information

Academy Services (Waltham Forest) 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and the requirements of the Companies Act 2006 as applicable to Companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

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 principal accounting policies adopted are set out below.

In these financial statements, the company is considered a qualifying small entity for the purpose of FRS 102 and has applied the exemptions available under FRS 102 in respect of the cash flow statement and related notes.

The company has taken advantage of the exemption under section 399 of the Companies Act 2006 not to prepare consolidated accounts as it qualifies as a small group.

Accordingly, the results presented in these financial statements present information about the company as an individual undertaking and not about its group

1.2 Going concern

The directors have reviewed a cash flow forecast covering the remainder of the company's contract period and taking into account reasonable possible risks in operations and the fact the obligations of the company's sole customer are underwritten by the Secretary of State for Education, they believe that the company will be able to settle its liabilities as they fall due for the foreseeable future and therefore it is appropriate to prepare these financial statements on the going concern basis.

1.3 Turnover

Turnover in relation to service revenue is recognised in accordance with the service concession contract accounting policy. Turnover represents the value of work done entirely in the UK and excludes value added tax.

Turnover in relation to pass through 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.

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

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 statement of financial position 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 trade and other receivables 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 in the case of trade debtors. 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 reserve in respect of future major maintenance costs. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £2,450,700 at the year end (2017: £2,125,000).

Classification of financial liabilities

In accordance with FRS 102.22, financial instruments issued by the company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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 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 and forward foreign exchange contracts, 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. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

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.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

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 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.

1.8 Taxation

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

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

1 Accounting policies

(Continued)

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.

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.

1.9 Service concession contract accounting

The company is an operator of a Public Finance Initiative ("PFI") contract. As the company entered into 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 FRS102, 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 34C. 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 fair value of the consideration receivable in respect of those services.

1.10 Interest receivable and 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.

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

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

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Hedge Accounting

The directors consider the company to have met the criteria for hedge accounting and the company has therefore recognised fair value movements on derivatives in effective hedging relationships through other comprehensive income as well as the deferred tax thereon

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

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.

Valuation of derivative

The directors use their judgements in selecting a suitable valuation technique for derivative financial instruments. The valuation of the derivative financial instruments was determined by using the valuation provided by the derivative counterparties.

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

3 Turnover and other revenue

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

	2018 £'000	2017 £'000
Turnover analysed by class of business		
Service Income	3,883	3,065
FM Service Deductions	(2)	(7)
Pass-through Income	241	356
Variation Income	-	2
	<u>4,122</u>	<u>3,416</u>

4 Auditor's remuneration

	2018 £'000	2017 £'000
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the company's financial statements	12	12
	<u>12</u>	<u>12</u>
For other services		
Taxation compliance services	6	6
	<u>6</u>	<u>6</u>

The audit fees of £12,000 (2017: £12,000) includes £3,000 (2017: £3,000) for the audit of Academy Services (Waltham Forest) (Holdings) Limited.

5 Employees

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

6 Directors' remuneration

	2018 £'000	2017 £'000
Sums paid to related parties for directors' services	49	47
	<u>49</u>	<u>47</u>

The directors did not receive any other remuneration during either the current or preceding year.

7 Interest receivable and similar income

	2018 £'000	2017 £'000
Interest receivable on bank deposits	15	35
Interest from finance debtor	2,410	2,512
	<u>2,425</u>	<u>2,547</u>
Total income	<u>2,425</u>	<u>2,547</u>

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

8 Interest payable and similar expenses

	2018 £'000	2017 £'000
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	1,607	1,727
Interest on subordinated loans	269	287
	<u>1,876</u>	<u>2,014</u>
Other finance costs:		
Amortisation of finance arrangement costs	22	22
	<u>1,898</u>	<u>2,036</u>

9 Taxation

	2018 £'000	2017 £'000
Current tax		
UK corporation tax on profits for the current period	175	174
	<u>175</u>	<u>174</u>

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	<u>916</u>	<u>828</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 20.00%)	174	166
Under provided in prior years	1	8
	<u>175</u>	<u>174</u>
Taxation charge for the year	<u>175</u>	<u>174</u>

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2018 £'000	2017 £'000
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	323	103
	<u>323</u>	<u>103</u>

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

9 Taxation

(Continued)

Factors affecting the tax charge for the year

The current tax charge is higher than (2017: higher than) the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are detailed above.

Factors that may affect future tax charges

On 26 October 2015, the reduction in the UK rate of corporation tax to 19% from 1 April 2017 was substantively enacted. On 15 September 2016 a further reduction in corporation tax to 17% in April 2020 was substantively enacted.

Deferred tax balances are calculated using this rate.

10 Debtors

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Trade debtors	36	24
Finance Debtor	1,519	1,883
Prepayments and accrued income	56	63
	<u>1,611</u>	<u>1,970</u>
Amounts falling due after more than one year:		
Finance Debtor	21,679	23,136
Deferred tax asset	1,137	1,459
	<u>22,816</u>	<u>24,595</u>
Total debtors	<u>24,427</u>	<u>26,565</u>

The Finance Debtor balance reflects the value of the amount receivable under the PFI contract with the Authority, less the value of the services that have been delivered to date, in line with accounting policy 1.9. The Unitary Charge Control account (UCCA) is included net against the finance debtor balance stated above. The balance in the UCCA at 31 March 2018 is a credit balance of £13,418,000 (2017: £13,035,000).

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

11 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Bank loans and overdrafts	1,652	1,705
Subordinated loan	124	130
Trade creditors	259	57
Corporation tax	87	82
Other taxation and social security	250	256
Accruals and deferred income	828	837
	<u>3,200</u>	<u>3,067</u>

12 Creditors: amounts falling due after more than one year

	2018 £'000	2017 £'000
Bank loans and overdrafts	23,472	25,124
Subordinated loan	1,827	1,951
Financial derivative liability	6,685	8,584
	<u>31,984</u>	<u>35,659</u>

Borrowing consists of:

Term loan

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 £25,460,000 remains drawn down at 31 March 2018 (2017: £27,187,000). Interest is payable on the senior loan, during the operational phase this is calculated as LIBOR plus a margin of 0.90% to 2016, 0.95% to 2026 and 1.00% to 2033. The company has entered into a swap agreement fixing the interest rate to 5.11% plus a margin of 0.90% to 2016, 0.95% to 2026 and 1.00% to 2033. The loan facility is repayable from September 2003 to September 2033.

Unsecured Subordinated Loan Stock

The Unsecured Subordinated 13% Loan Stock is held 100% by Academy Services (Waltham Forest) (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 56 semi annual instalments, the first instalment being paid on 29 September 2009. As at 31 March 2018 there is £1,951,000 outstanding (2017: £2,081,000).

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

13 Loans and overdrafts

	2018 £'000	2017 £'000
Bank loans	25,124	26,829
Subordinated loan	1,951	2,081
	<u>27,075</u>	<u>28,910</u>
Payable within one year	1,776	1,835
Payable after one year	<u>25,299</u>	<u>27,075</u>

Included within Bank loan is an amount repayable after five years of £18,190,000 (2017: £16,438,000) and included within subordinated loan are amounts repayable after five years of £1,273,000 (2017: £1,405,000).

14 Deferred taxation

	Assets 2018 £'000	Assets 2017 £'000
Deferred Tax in relation to: Interest Rate SWAP	<u>1,137</u>	<u>1,459</u>

15 Share capital

	2018 £	2017 £
Ordinary share capital issued and fully paid		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

16 Related party transactions

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 £164,000 (2017: £165,000) in respect of management services and other associated services to HCP Management Services Limited. As at 31 March 2018 £1,000 (2017: £1,000) due to HCP Management Services Limited remains outstanding and is included in trade creditors.

During the year ended 31 March 2018, the Company incurred £49,000 (2017: £47,000) in respect of directors' services from Innisfree Limited. As at 31 March 2018 £1,000 (2017: £29,000) due to Innisfree Limited remains outstanding and is included in trade creditors.

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

17 Controlling party

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 PFI Secondary Fund. The registered office of Academy Services (Waltham Forest) (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.