

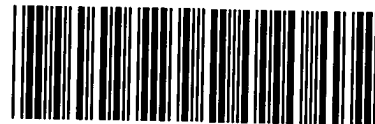
**Company Registration No. 05321902**

**Academy Services (Sheffield) Limited**

**Report and Financial Statements**

**31 December 2014**

TUESDAY



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**Academy Services (Sheffield) Limited**

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## **Academy Services (Sheffield) Limited**

### **Officers and professional advisers**

#### **Directors**

JA Young  
RW Driver  
GD Simpson

#### **Secretary**

J A Cheadle

#### **Registered office**

55 Baker Street  
London  
W1U 8EW

#### **Bankers**

National Westminster Bank Plc

#### **Auditor**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
2 New Street Square  
London  
EC4A 3BZ

## **Academy Services (Sheffield) Limited**

### **Directors' report**

The directors of Academy Services (Sheffield) Limited ("the company") present their annual report and the audited financial statements for the year ended 31 December 2014. This directors' report has been prepared in accordance with the special provisions relating to small companies exemptions under Part 15 of the Companies Act 2006.

#### **Business review and principal activities**

The company is a wholly-owned subsidiary of Academy Services (Sheffield) Holdings Limited ("ASSH"). The principal activity of the company is the design, construction, refurbishment, financing, and maintenance of four schools in the Sheffield area under the UK Government's Private Finance Initiative and in accordance with the terms of an agreement with Sheffield City Council. That agreement, together with a loan facilities management contract and other related contracts, was signed on 29 April 2005. The concession period runs for a period of 26 years from that date and the schools have been fully operational since 2007. There have not been any significant changes in the company's principal activities in the period under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

#### **Results and dividends**

On a turnover of £3,253,878 (2013: £3,211,399) the company made a post-tax profit of £316,660 in the year (2013: £243,614). This represents an increase of 30%.

During the year, the company paid dividends of £300,000 (2013: £200,000) to its parent, ASSH. The directors recommend that no final dividend be paid (2013: £nil).

#### **Financial risk management**

The financial risks to which the company is exposed are credit risk, interest rate risk and liquidity risk.

##### *Credit risk*

The company's credit risk is attributable to its unitary charge income from its sole customer, Sheffield City Council. As this is a quasi-governmental organisation, the credit risk and associated cash flow risk are not considered significant.

##### *Interest rate risk*

The company's bank loan bears interest at a rate that fluctuates with the money market. The company mitigates the risk of an increased interest rate by the use of swap agreements to convert the floating interest rate to a fixed rate.

##### *Liquidity risk*

The company mitigates its liquidity risk by the use of long-term borrowings and by maintaining reserve bank accounts to provide short-term liquidity against future debt service and other expenditure requirements. In addition, the company maintains a rolling cash flow forecast based on the bank-approved financial model, which is regularly updated to reflect actual cash movements and any projected changes. This forecast is used to monitor the company's ability to meet its future cash commitments and ensure compliance with the bank covenants.

## Academy Services (Sheffield) Limited

### Directors' report

#### Going concern

The group meets its day to day working capital requirements principally through a senior debt facility which is in place until January 2030, with interest payments economically hedged through an interest rate swap for the term of the loan. As a result of market uncertainty due to the economic environment, the following are potential risks to the company:

- the ability of key sub-contractors to continue to meet their contractual commitments;
- the ability of the swap provider to continue to meet their contractual commitments; and
- the ability of the debt provider to continue to meet its contractual commitments.

The directors do not consider the ability of government authorities to pay unitary fees to be a material risk.

The company's forecasts and projections, taking into account of the above risks show that the company expects to be able to continue to operate within the level of its current facilities and continue to meet loan covenants. The principal loan covenants are historic and forecast financial ratios.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

#### Directors

The current directors of the company are shown on page 1. The following changes have taken place during the year or subsequently:

	Appointed	Resigned
MGD Holden		14.02.14
RW Driver	14.02.14	

Qualifying third party indemnity provisions are currently in force for the benefit of certain directors.

#### Disclosure of information to auditor

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

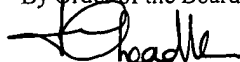
- so far as the directors are aware, there is no relevant audit information of which the auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

#### Auditor

Deloitte LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with Section 487(2) of the Companies Act 2006 and, unless the company receives notice under Section 488(1) of the Act, offer themselves for reappointment as auditor in accordance with the Companies Act.

By Order of the Board



JA Cheadle  
Secretary  
8 May 2015

## **Academy Services (Sheffield) Limited**

### **Directors' responsibilities statement**

The directors are responsible for preparing the annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Academy Services (Sheffield) Limited**

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

We have audited the financial statements of Academy Services (Sheffield) Limited for the year ended 31 December 2014 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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, 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**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify any material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **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 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom 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 period for which the financial statements

## **Academy Services (Sheffield) Limited**

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

#### **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; or
- the directors were not entitled to take advantage of the small companies exemption from preparing a Strategic Report or in preparing the directors' report.



Makhan Chahal ACA (Senior Statutory Auditor)  
**for and on behalf of Deloitte LLP**  
Chartered Accountants and Statutory Auditor  
London

11th May 2015



**Academy Services (Sheffield) Limited**

**Profit and loss account**

**Year ended 31 December 2014**

		<b>2014</b>	<b>2013</b>
	<b>Note</b>	<b>£</b>	<b>£</b>
<b>Turnover</b>	<b>3</b>	<b>3,253,878</b>	<b>3,211,399</b>
Cost of sales		<u>(2,810,514)</u>	<u>(2,807,742)</u>
<b>Gross profit</b>		<b>443,364</b>	<b>403,657</b>
Administrative expenses		<u>(210,282)</u>	<u>(212,747)</u>
<b>Operating Profit</b>	<b>4</b>	<b>233,082</b>	<b>190,910</b>
Interest receivable and similar income	<b>5</b>	<b>2,742,227</b>	<b>2,847,372</b>
Interest payable and similar charges	<b>6</b>	<u>(2,584,354)</u>	<u>(2,717,788)</u>
<b>Profit on ordinary activities before taxation</b>		<b>390,955</b>	<b>320,494</b>
Taxation	<b>7</b>	<u>(74,295)</u>	<u>(76,880)</u>
<b>Profit on ordinary activities after taxation</b>	<b>16</b>	<u><u>316,660</u></u>	<u><u>243,614</u></u>

All results are derived from continuing operations.

The company had no other recognised gains or losses for the current year or preceding year. Accordingly, no statement of total recognised gains and losses is required.

The notes on pages 9 to 16 form part of these financial statements.

# Academy Services (Sheffield) Limited

## Balance sheet As at 31 December 2014

	Note	2014 £	2013 £
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	8	35,347,328	37,204,696
Debtors: amounts falling due within one year	9	1,456,131	1,408,087
Short-term investments	10	6,468,277	6,199,225
Cash at bank and in hand		171,619	212,406
		<u>43,443,355</u>	<u>45,024,414</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(4,837,911)</u>	<u>(4,907,113)</u>
<b>Net current assets</b>		<u>38,605,444</u>	<u>40,117,301</u>
<b>Total assets less current liabilities</b>		38,605,444	40,117,301
<b>Creditors: amounts falling due after more than one year</b>	12	<u>(38,493,216)</u>	<u>(40,021,733)</u>
<b>Net assets</b>		<u><u>112,228</u></u>	<u><u>95,568</u></u>
<b>Capital and reserves</b>			
Called up share capital	15	100	100
Profit and loss account	16	<u>112,128</u>	<u>95,468</u>
<b>Shareholders' funds</b>	16	<u><u>112,228</u></u>	<u><u>95,568</u></u>

These accounts have been prepared in accordance with the special provisions applicable to companies subject to the small companies regime. The financial statements of Academy Services (Sheffield) Limited, registered number 05321902, were approved by the Board of Directors on 8<sup>th</sup> May 2015 and signed on its behalf by



RW Driver  
Director

The notes on pages 9 to 16 form part of these financial statements.

## **Academy Services (Sheffield) Limited**

### **Notes to the financial statements Year ended 31 December 2014**

#### **1. ACCOUNTING POLICIES**

##### **Accounting convention**

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards and law. The accounting policies described below have been consistently applied in the current and prior years.

##### **Going concern**

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on pages 2 to 3. The Directors' Report also describes the financial position of the company; its cash flows, liquidity position and borrowing facilities and exposure to credit and liquidity risk. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

##### **Cash flow statement**

The company has taken advantage of the exemption provided under Financial Reporting Standard 1 (Revised 1996) not to provide a cash flow statement in the financial statements on the grounds that the company is small.

##### **Turnover**

Turnover, which is stated net of value added tax, represents amounts invoiced for services provided in the year after allowing for the repayment of, and interest imputed on, the finance debtor (see below).

##### **Finance debtor and revenue recognition**

In accordance with the requirements of FRS 5 Application Note F 'Private Finance Initiative and similar Contracts', it has been determined that the balance of risks and rewards derived from the underlying asset is not borne by the company and, accordingly, the asset created under the contract has been accounted for as a finance debtor.

During the construction phase, all costs directly attributable to the project are allocated to work in progress. At the end of the construction period when practical completion is achieved, credit is taken for the deemed sale, which is included in turnover, and a finance debtor equivalent to the amount recorded within assets under the course of construction is created; the construction expenditure and associated costs are taken to cost of sales.

During the operating phase, revenues received from Sheffield City Council are apportioned between turnover and the repayment of, and interest imputed to, the finance debtor over the concession period. The latter two components are calculated using a constant property-specific interest rate implicit in the financial model, the interest element being included in interest receivable.

##### **Borrowing costs**

Project-specific finance costs are capitalised until the asset becomes operational. Loan arrangement fees are accounted for as a reduction in the proceeds of the debt. The loan arrangement fees are allocated to periods over the term of the debt at a constant rate on the carrying amount. All other borrowing costs are recognised in the profit and loss account on an accruals basis.

## Academy Services (Sheffield) Limited

### Notes to the financial statements Year ended 31 December 2014

#### ACCOUNTING POLICIES (continued)

##### Derivatives

The company does not hold or issue derivative financial instruments for speculative purposes, but enters into interest rate swap contracts to reduce exposure to interest rate movements. Amounts payable or receivable in respect of swaps are recognised on an accruals basis and are shown as interest expense or income. The fair value of the derivatives is detailed in Note 14. The company takes advantage of the exemption under FRS 26 not to fair value its financial liabilities in the balance sheet.

##### Current taxation

Current tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

##### Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

##### Related party transactions

The company is a wholly-owned subsidiary of the Redwood Partnership Ventures 2 Limited group of companies and has taken advantage of the exemption that is conferred by Financial Reporting Standard 8 (Related Party Disclosures) that allows it not to disclose transactions with group companies.

#### 2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The company has no employees other than its directors (2013: £nil). The directors received no remuneration for their services as directors of the company during the year (2013: £nil).

#### 3. TURNOVER

	2014 £	2013 £
Unitary charge and other income	3,253,878	3,211,399

All turnover arose from the one activity in the United Kingdom.

# Academy Services (Sheffield) Limited

## Notes to the financial statements Year ended 31 December 2014

### 4. OPERATING PROFIT

Operating profit is stated after charging:	2014 £	2013 £
Fees payable to the company's auditor:		
For the audit of the annual accounts:		
Company	6,700	6,500
Parent (borne by the company)	1,000	1,000
Total audit fees	<u>7,700</u>	<u>7,500</u>
Non-audit services:		
Taxation compliance services	2,685	2,500
Total non-audit fees	<u>2,685</u>	<u>2,500</u>
Total fees	<u>10,385</u>	<u>10,000</u>

### 5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2014 £	2013 £
Bank interest receivable	14,256	35,654
Interest receivable on finance debtor	2,727,971	2,811,718
	<u>2,742,227</u>	<u>2,847,372</u>

### 6. INTEREST PAYABLE AND SIMILAR CHARGES

	2014 £	2013 £
Bank loan interest (Note 13)	590,789	628,886
Amortisation of debt issue costs	34,517	36,000
Financial derivative interest payable	1,491,048	1,570,603
Subordinated loan interest (Note 13)	468,000	482,299
	<u>2,584,354</u>	<u>2,717,788</u>

# Academy Services (Sheffield) Limited

## Notes to the financial statements Year ended 31 December 2014

### 7. TAXATION

#### (a) Tax on profit on ordinary activities

The tax charge comprises:

	2014 £	2013 £
Current tax:		
UK Corporation tax	84,055	74,514
Adjustment in respect of prior years	(9,760)	2,366
Total tax on profit on ordinary activities	<u>74,295</u>	<u>76,880</u>

#### (b) Factors affecting tax credit for the year

The current tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the UK. The differences are explained below:

	2014 £	2013 £
Profit on ordinary activities before tax	390,955	320,494
Profit on ordinary activities multiplied by effective rate of UK corporation tax of 21.5% (2013: 23.25%)*	84,055	74,514
Effect of: Adjustment in respect of prior years	(9,760)	2,366
Current tax charge for the year	<u>74,295</u>	<u>76,880</u>

\*Blended rates for 2014 & 2013

## Academy Services (Sheffield) Limited

### Notes to the financial statements Year ended 31 December 2014

#### (c) Deferred taxation

There is no deferred tax asset or liability at the balance sheet date (2013: £nil).

Under UK GAAP, deferred tax, where applicable, is calculated at the tax rate that has been enacted or substantively enacted at the balance sheet date. Legislation was passed in July 2013 to reduce the main rate of UK corporation tax from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015. It is anticipated that the timing differences will reverse at the reduced tax rate of 20%, which has therefore been applied in the calculation of deferred tax.

#### 8. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2014 £	2013 £
Finance debtor	35,347,328	37,204,696

#### 9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £	2013 £
Trade debtors	-	42,992
Prepayments and accrued income	39,944	39,738
Finance debtor	1,413,916	1,324,513
Other debtors	2,271	844
	<u>1,456,131</u>	<u>1,408,087</u>

#### 10. SHORT-TERM INVESTMENTS

	2014 £	2013 £
Bank deposits	6,468,277	6,199,225

The above deposits, which are held under the terms of the senior loan facility, are not available in the day to day running of the company and cannot be withdrawn without penalty in less than 24 hours.

**Academy Services (Sheffield) Limited**

**Notes to the financial statements  
Year ended 31 December 2014**

**11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2014 £	2013 £
Bank loan (secured) (Note 13)	1,563,034	1,690,196
Trade creditors	252,759	259,013
Accruals and deferred income	2,688,210	2,624,261
Corporation tax	84,055	74,514
Other taxes and social security	249,853	259,129
	<u>4,837,911</u>	<u>4,907,113</u>

**12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2014 £	2013 £
Bank loan (secured) (Note 13)	34,893,216	36,421,733
Subordinated loan (unsecured) (Note 13)	3,600,000	3,600,000
	<u>38,493,216</u>	<u>40,021,733</u>

**13. BANK LOANS AND OTHER BORROWINGS**

	2014 £	2013 £
Bank loans (secured) (Notes 11 & 12)	36,456,250	38,111,929
Subordinated loans (unsecured) (Note 12)	3,600,000	3,600,000
	<u>40,056,250</u>	<u>41,711,929</u>
Bank loans are repayable as follows:		
Within one year	1,563,034	1,690,196
Between two and five years	8,043,965	7,332,050
Over five years	26,849,251	29,089,683
	<u>36,456,250</u>	<u>38,111,929</u>

The loan, which is secured by a charge on the company's shares, is subject to a swap contract to fix the interest rate and minimise the interest rate exposure. As a result of this contract, the effective rate for the loan is 5.9% (2013: 5.9%).

In accordance with Financial Reporting Standard 4 'Capital Instruments', bank loans are stated net of unamortised debt issue costs of £293,108 (2013: £327,625), which have been allocated to amounts due over five years.

The subordinated loan, which is repayable after more than five years, has been provided by the company's parent, Academy Schools (Sheffield) Holdings Limited, and has an interest rate of 13.0%.



## Academy Services (Sheffield) Limited

### Notes to the financial statements Year ended 31 December 2014

#### 14. FAIR VALUE OF DERIVATIVE INSTRUMENTS

The fair value of open derivative positions at 31 December 2014 in respect of interest rate swaps was a liability of £8,193,335 (2013: £5,827,110). These are used to hedge the non-recourse bank loans. The liabilities attributable to these positions are not recorded in these financial statements.

#### 15. CALLED UP SHARE CAPITAL

	2014 £	2013 £
<b>Allotted, called up and fully paid</b>		
100 ordinary shares of £1 each	100	100

#### 16. MOVEMENT ON RESERVES AND RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	Share capital £	Profit and loss account £	Total £
At 1 January 2013	100	51,854	51,954
Profit for the year	-	243,614	243,614
Dividends paid	-	(200,000)	(200,000)
At 1 January 2014	100	95,468	95,568
Profit for the year	-	316,660	316,660
Dividends paid	-	(300,000)	(300,000)
At 31 December 2014	100	112,128	112,228

#### 17. TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES

There are no transactions with the directors to be disclosed.

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 (*Related Party Disclosures*) that allows it not to disclose transactions with group companies.

During the year, the company carried out a number of transactions with related parties in the normal course of business and on an arm's length basis. The names of the related parties and the total value of transactions are shown below:

	2014		2013	
	Value of transactions £	Payable at year-end £	Value of transactions £	Payable at year-end £
Kajima Partnerships Limited ("KPL")	76,539	-	73,987	-
Redwood Partnership Ventures 2 Limited ("RPV2")	60,385	-	60,050	-
Trustees of Kier Group Pension Fund ("KGPF")	50,000	-	25,000	-

KPL holds a 25% interest in the company's ultimate parent, Redwood Partnership Ventures 2 Limited. KPL and KEL are members of the Kajima group of companies. The transactions were in respect of directors' fees, management fees and expenses.

**Academy Services (Sheffield) Limited**

**Notes to the financial statements**  
**Year ended 31 December 2014**

**18. ULTIMATE AND IMMEDIATE PARENT COMPANY**

The company's immediate parent company is Academy Services (Sheffield) Holdings Limited, a company incorporated in Great Britain. Its ultimate controlling entity is Redwood Partnership Ventures 2 Limited, a company also incorporated in Great Britain.