

Company Registration No. 05605028

Academy Services (Oldham) Limited

Report and Financial Statements

31 December 2013



Academy Services (Oldham) Limited

Contents

	Page
Officers and professional advisers	1
Directors' report	2
Directors' responsibilities statement	4
Independent auditor's report	5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8

Academy Services (Oldham) Limited

Officers and professional advisers

Directors

A C Roper
T O'Boyle
M G D Holden
R W Driver

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 (Oldham) Limited

Directors' report

The directors of Academy Services (Oldham) Limited ("the company") present their annual report and the audited financial statements for the year ended 31 December 2013. This directors' report has been prepared in accordance with the special provisions relating to small companies under Part 15 of the Companies Act 2006.

Business review and principal activities

The company is a wholly-owned subsidiary of Academy Services (Oldham) Holding Limited ("ASOH").

The company's principal activity is the design, construction, refurbishment, financing and maintenance of two schools in the Oldham area under the UK Government's Private Finance Initiative and in accordance with the terms of any agreement with Oldham Metropolitan Borough Council. That agreement, together with a loan facilities management contract and other related contracts, was signed on 23 May 2006. The concession period runs from for a period of 27 years from that and the schools have been fully operational since April 2008.

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 £2,570,765 (18 month period ended 31.12.12: £3,696,930) the company made a post-tax profit of £271,794 (18 month period ended 31.12.12: £264,398), which this resulted in a 53% increase in profit (previous year calculated on a pro rata basis).

During the period the company paid dividends of £280,000 (18 month period ended 31.12.12: £200,000) to its parent, ASOH. The directors recommend that no final dividend be paid (18 month period ended 31.12.12: £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, Oldham Metropolitan Borough 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.

Going concern

The company meets its day to day working capital requirements principally through a senior debt facility which is in place until January 2032, 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.

Academy Services (Oldham) Limited

Directors' report (continued)

Going concern (continued)

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
R J Newton		14.02.14
R W 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.

Auditor

Delotte LLP, having expressed their willingness to continue in office, will be reappointed for the next financial year in accordance with Section 478(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



J A Cheadle
Secretary

May 2014

Academy Services (Oldham) 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 period. 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 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.

Independent auditor's report to the members of Academy Services (Oldham) Limited

We have audited the financial statements of Academy Services (Oldham) Limited for the period ended 31 December 2013 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 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 Statement of Directors' responsibilities, 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 Directors' reports 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 2013 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to smaller entities; 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 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; 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, United Kingdom

8th May 2014

Academy Services (Oldham) Limited

Profit and loss account Year ended 31 December 2013

	Note	Year ended 31 December 2013 £	18 month period ended 31 December 2012 £
Turnover	3	2,570,765	3,696,930
Cost of sales		(2,190,039)	(3,170,308)
Gross profit		<u>380,725</u>	<u>526,622</u>
Administrative expenses		(214,598)	(295,778)
Operating profit	4	<u>166,127</u>	<u>230,844</u>
Interest receivable and similar income	5	3,277,747	4,994,303
Interest payable and similar charges	6	(3,086,699)	(4,869,642)
Profit on ordinary activities before taxation		<u>357,175</u>	<u>355,504</u>
Tax charge on profit on ordinary activities	7	(85,381)	(91,106)
Profit on ordinary activities after taxation	16	<u><u>271,794</u></u>	<u><u>264,398</u></u>

All results are derived from continuing operations.

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

The notes on pages 8 to 13 form part of these financial statements.

Academy Services (Oldham) Limited

Balance sheet 31 December 2013

	Note	2013 £	2012 £
Current assets			
Debtors: amounts falling due after more than one year	8	44,433,489	46,641,042
Debtors: amounts falling due within one year	9	2,272,755	1,391,322
Short-term deposits	10	1,755,964	2,529,167
Cash at bank and in hand		221,210	22,748
		<u>48,683,418</u>	<u>50,584,279</u>
Creditors: amounts falling due within one year	11	<u>(3,036,799)</u>	<u>(3,262,169)</u>
Net current assets		<u>45,646,619</u>	<u>47,322,110</u>
Total assets less current liabilities		<u>45,646,619</u>	<u>47,322,110</u>
Creditors: amounts falling due after more than one year	12	<u>(45,259,381)</u>	<u>(46,926,666)</u>
Net assets		<u><u>387,238</u></u>	<u><u>395,444</u></u>
Capital and reserves			
Called up share capital	15	300,000	300,000
Profit and loss account	16	<u>87,238</u>	<u>95,444</u>
Shareholder's funds	16	<u><u>387,238</u></u>	<u><u>395,444</u></u>

The financial statements of Academy Services (Oldham) Limited, registered number 05605028, were approved by the Board of Directors on May 2014 and signed on its behalf by



R W Driver
Director

The notes on pages 8 to 13 form part of these financial statements.

Academy Services (Oldham) Limited

Notes to the financial statements Year ended 31 December 2013

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 and 3. The Directors' Report also describes the financial position of the company, its cash flows, liquidity position and borrowing facilities; the company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk 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 bases 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 Oldham Metropolitan Borough 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.

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 recognized 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.

Academy Services (Oldham) Limited

Notes to the financial statements Year ended 31 December 2013

2. ACCOUNTING POLICIES (continued)

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.

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The company had no employees in the current year (2012: nil). The directors received no remuneration for their services as directors of the company during the year (2012: £nil).

3. TURNOVER

	Year ended 31 December 2013 £	18 month period ended 31 December 2012 £
Unitary charge and other income	2,570,765	2,093,648

All turnover arose in the United Kingdom.

4. OPERATING PROFIT

Operating profit is stated after charging:

	Year ended 31 December 2013 £	18 month period ended 31 December 2012 £
Fees payable to the company's auditor:		
For the audit of the annual accounts:		
Company	5,200	6,500
Parent (borne by the company)	2,000	1,000
Total audit fees	7,200	7,500
Non-audit services:		
Taxation compliance services	2,750	2,500
Total non-audit fees	2,750	2,500
Total fees	9,950	10,000

Academy Services (Oldham) Limited

Notes to the financial statements Year ended 31 December 2013

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2013 £	18 month period ended 31 December 2012 £
Bank interest receivable	7,681	26,640
Interest receivable on finance debtor (Notes 8 & 9)	3,270,066	4,967,663
	<u>3,277,747</u>	<u>4,994,303</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 2013 £	18 month period ended 31 December 2012 £
Bank loan interest (Note 13)	679,951	1,897,069
Amortisation of debt issue costs	37,203	45,273
Financial derivative interest payable	1,875,545	2,137,772
Subordinated loan interest (Note 13)	494,000	789,528
	<u>3,086,699</u>	<u>4,869,642</u>

7. TAXATION

(a) Tax on loss on ordinary activities

The tax charge is made up as follows:

Current taxation:

	Year ended 31 December 2013 £	18 month period ended 31 December 2012 £
Charge for group relief charged at the effective rate of UK corporation tax of 23.25% (2012: 25%)*	83,043	88,876
Adjustment in respect of prior years	2,338	2,230
Total tax on profit on ordinary activities	<u>85,381</u>	<u>91,106</u>

*Blended rates for 2013 and 2012

(b) Deferred taxation

There is no deferred tax asset or liability at the balance sheet date (2012: £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

Academy Services (Oldham) Limited

Notes to the financial statements Year ended 31 December 2013

8. DEBTORS: AMOUNTS FALLING AFTER MORE THAN ONE YEAR

	2013 £	2012 £
Finance debtor	<u>44,433,489</u>	<u>46,641,042</u>

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £	2012 £
Trade debtors	788,589	3,620
Prepayments and accrued income	57,204	47,831
Finance debtor	<u>1,426,963</u>	<u>1,339,871</u>
	<u>2,272,755</u>	<u>1,391,322</u>

10. SHORT-TERM INVESTMENTS

	2013 £	2012 £
Bank deposits	<u>1,755,964</u>	<u>2,529,167</u>

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.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £	2012 £
Bank loan (secured) (Note 13)	1,704,488	1,884,932
Trade creditors	24,761	38,038
Accruals and deferred income	1,054,589	1,122,614
Corporation tax	-	3,128
Group relief	83,043	87,979
Other taxes and social security	<u>169,918</u>	<u>125,478</u>
	<u>3,036,799</u>	<u>3,262,169</u>

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

	2013 £	2012 £
Bank loan (secured) (Note 13)	41,459,381	43,126,666
Subordinated loan (unsecured) (Note 13)	<u>3,800,000</u>	<u>3,800,000</u>
	<u>45,259,381</u>	<u>46,926,666</u>

Academy Services (Oldham) Limited

Notes to the financial statements Year ended 31 December 2013

13. BANK LOANS AND OTHER BORROWINGS

	2013 £	2012 £
Bank loans (secured) (Notes 11 & 12)	43,163,869	45,011,598
Subordinated loans (unsecured) (Note 12)	3,800,000	3,800,000
	<u>46,963,869</u>	<u>48,811,598</u>
Bank loans are repayable as follows:		
Within one year	1,704,488	1,884,932
Between two and five years	7,000,500	6,699,058
Over five years	34,458,882	36,427,608
	<u>43,163,869</u>	<u>45,011,598</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 5.72%.

In accordance with Financial Reporting Standard 4 'Capital Instruments', bank loans are stated net of unamortised debt issue costs of £385,266 (2012: £422,469), 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 (Oldham) Holdings Limited, and has an interest rate of 13%. The final instalment is due on 30 September 2032.

14. FAIR VALUE OF DERIVATIVE INSTRUMENTS

The fair value of open derivative positions at 31 December 2013 in respect of interest rate swaps was a liability of £7,266,956 (2012: £12,085,196). 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

	2013 £	2012 £
Allotted, called up and fully paid		
300,000 ordinary shares of £1 each	<u>300,000</u>	<u>300,000</u>

Academy Services (Oldham) Limited

Notes to the financial statements Year ended 31 December 2013

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

	Share capital £	Profit and loss account £	Total £
At 1 July 2012	300,000	31,046	331,046
Profit for the year	-	264,398	264,398
Dividend paid	-	(200,000)	(200,000)
At 1 January 2013	300,000	95,444	395,444
Profit for the period	-	271,794	271,794
Dividend paid	-	(280,000)	(280,000)
At 31 December 2013	300,000	87,238	387,238

Dividend per share 93p (2012: 67p)

17. TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES

There are no transactions between the directors to be disclosed.

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:

	Year ended 31 December 2013		18 month period ended 31 December 2012	
	Value of transactions £	Payable at year-end £	Value of transactions £	Payable at year-end £
Kajima Partnerships Limited ("KPL")	73,987	-	121,000	-

KPL, a member of the Kajima group of companies, holds a 25% interest in the company's ultimate parent, Redwood Partnership Ventures 2 Limited. The transactions in the year with KPL were in respect of management services.

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.

18. ULTIMATE AND IMMEDIATE PARENT COMPANY

The company's immediate parent company is Academy Services (Oldham) 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.