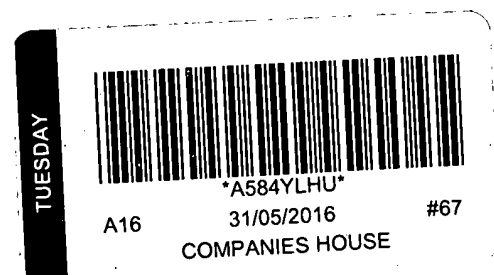


**Company Registration No. 05605028**

**Academy Services (Oldham) Limited**

**Report and Financial Statements**

**31 December 2015**



## **Academy Services (Oldham) Limited**

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**Academy Services (Oldham) Limited**

**Officers and professional advisers**

**Directors**

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

**Secretary**

J A Cheadle

**Registered office**

55 Baker Street  
London  
W1U 8EW

**Bankers**

National Westminster Bank

**Auditor**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London  
United Kingdom

## **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 2015. This directors' report has been prepared in accordance with the special provisions relating to small companies under Part 15 of the Companies Act 2006. No strategic report has been prepared, in accordance with the provisions applicable to companies entitled to the small companies exemption.

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

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

The principal activity of the company 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 an agreement with Oldham Metropolitan Borough Council. The agreement, together with a loan facilities management contract and other related contracts, was signed on 23 May 2006. The concession period runs from that date for a period of 27 years. The schools have been fully operational since April 2008. During the year, the company incurred deductions from the Authority in relation to acoustic, ventilation and passive fire safety requirements. Works are currently being undertaken by Kier, the FM contractor, to rectify these issues.

There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any other likely major changes in the company's activities in the next year.

During the year the company transitioned to Financial Reporting Standard 101 Reduced Disclosure Framework. As a result Turnovers and costs relating to the construction of the contract are accounted for in accordance with IAS 11. The financial asset is accounted for in accordance with IAS39. Borrowing costs are accounted for in accordance with IAS23 and as such are no longer capitalised as part of the financial asset. The company accounts for interest in accordance with IFRS9 as the asset is accounted for at amortised cost.

#### **Results and dividends**

As shown in the company's Income statement account on page 8 and Note 3 on page 21, the company's revenue (excluding deemed sales) decreased by 22%, which is a result of performance penalties imposed by the Council along with IFRS adjustments. The gross profit also decreased by 0.7% compared to the previous year, resulting in a deterioration in the operating profit from £291,525 to £268,100. Overall, the company made a post-tax profit of £465,041 (2014: £542,264).

During the year, the company paid a dividend of £100,000 (2014: £280,000) to its parent, ASOH. The directors recommend that no final dividend be paid (2014: £nil).

#### **Financial risk management**

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

##### *Cash flow risk*

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The company uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures. Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

## **Academy Services (Oldham) Limited**

### **Directors' report**

#### *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 group 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 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. Mr G D Simpson resigned on 4 Feb 2016 and Mr T O'Boyle was appointed on that date.

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 information is given and should be interpreted in accordance with the provisions of s413 of the Companies Act 2006.

## **Academy Services (Oldham) Limited**

### **Directors' report**

#### **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



J A Cheadle

Secretary

25 MAY 2016

## **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 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), including the Financial Reporting Standard 101 Reduced Disclosure Framework. 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 (Oldham) Limited**

### **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 year ended 31 December 2015 which comprise the income statement, the statement of comprehensive income, the reconciliation of income statement, the statement of financial position, the reconciliation of statement of financial position, the statement of changes in equity and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard 101 Reduced Disclosure Framework.

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 2015 and of its profit for the year then ended; and
- 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 are prepared is consistent with the financial statements.




**Academy Services (Oldham) Limited**

**Independent auditor's report to the members of Academy Services (Oldham) 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 prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Directors' Report or from the requirement to prepare a Strategic Report.

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

25th May 2016

# Academy Services (Oldham) Limited

## Income statement Year ended 31 December 2015

			Restated for the year to 31 December
	Note	2015 £	2014 £
<b>Revenue</b>	3	1,757,940	2,241,647
Cost of sales		<u>(1,265,313)</u>	<u>(1,745,388)</u>
<b>Gross profit</b>		492,627	496,259
Administrative expenses		<u>(224,528)</u>	<u>(204,734)</u>
<b>Profit/(loss) on ordinary activities before financing charges</b>		268,099	291,525
Finance income	4	3,166,229	3,342,159
Finance costs	5	<u>(2,851,205)</u>	<u>(2,947,803)</u>
<b>Profit/(loss) on ordinary activities before taxation</b>	6	583,123	685,881
Tax on profit on ordinary activities	7	<u>(118,080)</u>	<u>(143,617)</u>
<b>Profit/(loss) for the financial year</b>		<u><u>465,043</u></u>	<u><u>542,264</u></u>

All results are derived from continuing operations.

The notes on pages 15 to 33 form part of these financial statements.

# Academy Services (Oldham) Limited

## Statement of other comprehensive income Year ended 31 December 2015

	Note	2015 £	2014 £
<b>Profit/(loss) for the year</b>		<u>465,043</u>	<u>542,264</u>
<b>Items that may be reclassified subsequently to profit or (loss):</b>			
Revenue			
Cash flow hedges:			
Gains/(losses) arising during the year	17	1,422,030	(3,708,876)
Deferred tax in relation to cash flow hedges	7	(475,482)	741,775
<b>Total Comprehensive income for the year</b>		<u><u>1,411,591</u></u>	<u><u>(2,424,837)</u></u>

The notes on pages 15 to 33 form part of these financial statements.

# Academy Services (Oldham) Limited

## Reconciliation of income statement Year ended 31 December 2014

	UK GAAP £	FRS 101 adjustments* £	FRS 101 £
Revenue	2,105,574	136,073	2,241,647
Cost of sales	(1,745,388)	-	(1,745,388)
<b>Gross profit</b>	<b>360,186</b>	<b>136,073</b>	<b>496,259</b>
Administrative expenses	(204,734)	-	(204,734)
<b>Operating profit/(loss)</b>	<b>155,452</b>	<b>136,073</b>	<b>291,525</b>
Finance income	-3,189,168	152,991	3,342,159
Finance costs	(2,966,568)	18,765	(2,947,803)
<b>Profit on ordinary activities before taxation</b>	<b>378,052</b>	<b>307,829</b>	<b>685,881</b>
Tax on profit on ordinary activities	(81,281)	(62,336)	(143,617)
<b>Profit/(loss) for the financial year</b>	<b>296,771</b>	<b>245,493</b>	<b>542,264</b>

\*Adjustments reflect the adoption of IFRIC 12 including the deemed sale of the finance asset.


The notes on pages 15 to 33 form part of these financial statements.

# Academy Services (Oldham) Limited

## Statement of financial position As at 31 December 2015

	Note	2015 £	2014 £	2013 £
<b>Non-current assets</b>				
Financial asset	8	42,419,576	44,186,570	46,309,625
Deferred tax	9	1,719,685	2,195,167	1,453,391
<b>Current assets</b>				
Trade and other receivables	10	866,039	146,196	844,253
Short term investments	11	3,785,840	3,496,273	1,755,964
Cash at bank and in hand		231,799	44,963	221,210
<b>Total assets</b>		<b>49,022,939</b>	<b>50,069,169</b>	<b>50,584,443</b>
<b>Current liabilities</b>				
Trade and other payables	12	(2,170,660)	(1,436,456)	(1,330,771)
Borrowings	14	(1,606,638)	(1,600,851)	(1,704,488)
<b>Net current assets</b>		<b>1,106,380</b>	<b>650,125</b>	<b>(213,832)</b>
<b>Total assets less current liabilities</b>		<b>45,245,641</b>	<b>47,031,862</b>	<b>47,549,184</b>
<b>Non-current liabilities</b>				
Derivative financial instruments	15	(9,553,803)	(10,975,833)	(7,266,956)
Non-current tax liabilities		-	(104,208)	(41,872)
Borrowings	13/14	(42,346,508)	(43,918,081)	(45,501,779)
<b>Net liabilities</b>		<b>(6,654,670)</b>	<b>(7,966,260)</b>	<b>(5,261,423)</b>
<b>Equity</b>				
Called up share capital	16	300,000	300,000	300,000
Hedging reserve	17	(7,834,118)	(8,780,666)	(5,813,565)
Retained earnings	20	879,448	514,406	252,142
<b>Equity attributable to owners of the company</b>		<b>(6,654,670)</b>	<b>(7,966,260)</b>	<b>(5,261,423)</b>

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 (Oldham) Limited, registered number 05605028, were approved by the Board of Directors on 25 May 2016 and signed on its behalf by

  
R W Driver  
Director

The notes on pages 15 to 33 form part of these financial statements.

## Academy Services (Oldham) Limited

### Reconciliation of statement of financial position As at 1 January 2014

	UK GAAP £	FRS 101 adjustments* £	FRS 101 £
<b>Non-current assets</b>			
Financial asset	44,433,490	1,876,135	46,309,625
Deferred tax	-	1,453,391	1,453,391
<b>Current assets</b>			
Trade and other receivables	2,272,755	(1,426,962)	845,793
Short term investments	1,755,964	-	1,755,964
Cash at bank and in hand	221,210	-	221,210
<b>Total assets</b>	<b>48,683,419</b>	<b>1,902,564</b>	<b>50,585,983</b>
<b>Current liabilities</b>			
Trade and other payables	(1,332,311)	-	(1,332,311)
Borrowings	(1,704,488)	-	(1,704,488)
<b>Net current assets/(liabilities)</b>	<b>(542,834)</b>	<b>(1,426,962)</b>	<b>(1,969,796)</b>
<b>Total assets less current liabilities</b>	<b>45,646,620</b>	<b>1,902,564</b>	<b>47,549,184</b>
<b>Non-current liabilities</b>			
Derivative financial instruments	-	(7,266,956)	(7,266,956)
Non current tax liabilities	-	(41,872)	(41,872)
Borrowings	(45,259,382)	(242,397)	(45,501,779)
<b>Net assets/(liabilities)</b>	<b>387,238</b>	<b>(5,648,661)</b>	<b>(5,261,423)</b>
<b>Equity</b>			
Called up share capital	300,000	-	300,000
Hedging Reserve	-	(5,813,565)	(5,813,565)
Retained earnings	87,238	164,904	252,142
<b>Equity attributable to owners of the company</b>	<b>387,238</b>	<b>(5,648,661)</b>	<b>(5,261,423)</b>

\*Adjustments reflect the adoption of IFRIC 12 and the classification of the concession as a financial asset as opposed to finance debtor.

The notes on pages 15 to 33 form part of these financial statements.

## Academy Services (Oldham) Limited

### Reconciliation of statement of financial position As at 31 December 2014

	UK GAAP £	FRS 101 adjustments* £	FRS 101 £
<b>Non-current assets</b>			
Financial asset	42,100,614	2,085,956	44,186,570
Deferred tax	-	2,195,167	2,195,167
<b>Current assets</b>			
Trade and other receivables	1,493,914	(1,347,718)	146,196
Short term investments	3,496,273	-	3,496,273
Cash at bank and in hand	44,963	-	44,963
<b>Total assets</b>	<b>47,135,764</b>	<b>2,933,405</b>	<b>50,069,169</b>
<b>Current liabilities</b>			
Trade and other payables	(1,436,456)	-	(1,436,456)
Borrowings	(1,600,851)	-	(1,600,851)
<b>Net current assets</b>	<b>1,997,843</b>	<b>(1,347,718)</b>	<b>650,125</b>
<b>Total assets less current liabilities</b>	<b>44,098,457</b>	<b>2,933,405</b>	<b>47,031,862</b>
<b>Non-current liabilities</b>			
Derivative financial instruments	-	(10,975,833)	(10,975,833)
Non-current tax liabilities	-	(104,208)	(104,208)
Borrowings	(43,694,448)	(223,633)	(43,918,081)
<b>Net assets/(liabilities)</b>	<b>404,009</b>	<b>(8,370,269)</b>	<b>(7,966,260)</b>
<b>Equity</b>			
Called up share capital	300,000	-	300,000
Hedging Reserve	-	(8,780,666)	(8,780,666)
Retained earnings	104,009	410,397	514,406
<b>Equity attributable to owners of the company</b>	<b>404,009</b>	<b>(8,370,269)</b>	<b>(7,966,260)</b>

\*Adjustments reflect the adoption of IFRIC 12 and the classification of the concession as a financial asset as opposed to finance debtor.

The notes on pages 15 to 33 form part of these financial statements.

# Academy Services (Oldham) Limited

## Statement of changes in equity As at 31 December 2015

	Called up share capital £	Hedging reserve £	Retained profit/(loss) £	Total £
At 31 December 2013 as previously stated	300,000	-	87,238	387,238
Changes on transition to FRS 101 (see note 24)	-	(5,813,565)	164,904.00	(5,648,661)
<b>Balance at 1 January 2014</b>	<b>300,000</b>	<b>(5,813,565)</b>	<b>252,142</b>	<b>(5,261,423)</b>
Profit for the year	-	-	542,264	542,264
Revenue	-	-	-	-
Other comprehensive income for the year	-	(2,967,101)	-	(2,967,101)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(2,967,101)</b>	<b>542,264</b>	<b>(2,424,837)</b>
Dividends	-	-	(280,000)	(280,000)
<b>Balance at 31 December 2014</b>	<b>300,000</b>	<b>(8,780,666)</b>	<b>514,406</b>	<b>(7,966,260)</b>
Profit for the year	-	-	465,043	465,043
Other comprehensive income for the year	-	946,548	-	946,548
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>946,548</b>	<b>465,043</b>	<b>1,411,591</b>
Dividends	-	-	(100,000)	(100,000)
<b>Balance at 31 December 2015</b>	<b>300,000</b>	<b>(7,834,118)</b>	<b>879,448</b>	<b>(6,654,670)</b>

The notes on pages 15 to 33 form part of these financial statements.



## **Academy Services (Oldham) Limited**

### **Notes to the financial statements Year ended 31 December 2015**

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

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

##### **Basis of accounting**

Academy Services (Oldham) Limited is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the business review on page 2. The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2015 the company has changed its accounting framework from UK GAAP to FRS 101 as issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101 'Reduced Disclosure Framework') and ceased to apply all UK Accounting Standards issued prior to FRS 100. Therefore the recognition and measurement requirements of EU adopted IFRS have been applied, with amendments where necessary in order to comply with the Companies Act 2006.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

These financial statements are prepared in pounds sterling because that is the currency of the primary economic activity in which the company operates.

These financial statements are separate financial statements. The company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of Redwood Partnerships Ventures 2 Limited. Details of the parent in whose consolidated financial statements the company is included are shown in note 23 to the financial statements.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group accounts of Redwood Partnerships Ventures 2 Limited. The group accounts of Redwood Partnerships Ventures 2 Limited are available to the public and can be obtained as set out in note 23.

##### **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 4. The Directors' report also describes the financial position of the company; its cash flows, liquidity position and borrowing facilities and exposure to credit, liquidity and cash flow 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.

## Academy Services (Oldham) Limited

### Notes to the financial statements Year ended 31 December 2015

#### 1. ACCOUNTING POLICIES (continued)

##### Adoption of new and revised Standards

##### Amendments to IFRSs and the new interpretation that are mandatorily effective for the current year

In the current year, the company has applied a number of amendments to IFRSs and a new interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2015. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Annual Improvements to IFRSs: 2011-2013

The company has adopted the various amendments to a number of standards. IFRS 3 *Business Combinations*, IFRS 13 *Fair Value Measurement* and IAS 40 *Investment Property*. The majority of the amendments are in the nature of clarifications rather than substantive changes to existing requirements.

##### Taxation

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

##### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement 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 statement of financial position date.

##### Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each statement of financial position 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 based on tax laws and rates that have been enacted or substantively enacted at the statement of financial position date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

## Academy Services (Oldham) Limited

### Notes to the financial statements Year ended 31 December 2015

#### 1. ACCOUNTING POLICIES (continued)

##### *Deferred tax (continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

##### *Current tax and deferred tax for the year*

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

##### **Revenue**

Revenue, 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 asset (see below).

##### **Operating profit**

Operating profit is stated after charging restructuring costs and after the share of results of associates but before investment income and finance costs.

##### **Financial instruments**

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

##### *Financial assets*

The company has adopted IFRIC 12 - Service Concession Arrangements whereby the client Oldham Metropolitan Borough Council has contracted with the company to construct, operate and maintain two schools for 27 years. IFRIC 12 draws a distinction between two types of concession arrangement; financial asset and intangible asset. All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

In accordance with IFRIC 12 the company has an unconditional right to receive specified or determinable amounts of cash from the client in return for constructing and then operating and maintaining the centre. In the construction phase, income is recognised by applying an attributable profit margin on the construction costs representing the fair value of construction services. In the operational phase, income is recognised by allocating a proportion of total cash received over the life of the project to service costs by means of a deemed constant rate of return on these costs. The residual element of projected cash is allocated to the financial asset using the effective interest rate method giving rise to interest income. Due to the nature of the contractual arrangements the projected cash flows can be estimated with a high degree of certainty.

## Academy Services (Oldham) Limited

### Notes to the financial statements Year ended 31 December 2015

#### 1. ACCOUNTING POLICIES (continued)

##### *Financial assets (continued)*

Investment income is recognised when it is probable that the economic benefits will flow to the company and the amount of Turnover can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the PPP financial asset to that asset's net carrying amount on initial recognition.

##### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit and loss ("FVTPL").

##### *Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, including redeemable notes classified as available for sale ("AFS") and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

## **Academy Services (Oldham) Limited**

### **Notes to the financial statements Year ended 31 December 2015**

#### **1. ACCOUNTING POLICIES (continued)**

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

##### ***Loans and receivables***

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

##### ***Borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and released to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

##### ***Financial liabilities***

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

##### ***Financial liabilities at FVTPL***

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the income statement.

##### ***Other financial liabilities***

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

## Academy Services (Oldham) Limited

### Notes to the financial statements Year ended 31 December 2015

#### 1. ACCOUNTING POLICIES (continued)

##### *Derivative financial instruments*

The company manages its exposure to interest rate risk, by entering into interest rate swaps. Further details of derivative financial instruments are disclosed in note 15.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each statement of financial position date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

##### *Hedge accounting*

The company designates certain derivatives as hedging instruments in cash flow hedges.

At the inception of the hedge relationship, the company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an on-going basis, the company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 15 sets out details of the fair values of the derivative instruments used for hedging purposes.

Movements in the hedging reserve in equity are detailed in note 17.

##### *Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the income statement in the periods when the hedged item is recognised in the income statement, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the income statement.

## **Academy Services (Oldham) Limited**

### **Notes to the financial statements Year ended 31 December 2015**

#### **2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the company's accounting policies, which are described in note 1 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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 the revision and future periods if the revision affects both current and future periods.

#### ***Critical judgements in applying the company's accounting policies***

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

#### **Borrowing costs**

Borrowing costs are expensed in the income statement when the asset to which they are attributable is a "non-qualifying" asset under IAS 23.

In the process of applying the company's accounting policies, the company is required to make certain judgements, estimates and assumptions that it believes are reasonable on the information available. The more significant judgements are:

#### **Taxation**

As set out in note 7 deferred tax is accounted for on temporary differences using the balance sheet liability method, with deferred tax liabilities generally being provided for in full and deferred tax assets being recognised to the extent that it is judged probable that future taxable profit will arise against which the temporary differences will be utilised.

#### **Derivative Financial Instruments**

The company uses derivative financial instruments which are principally swaps to manage the interest rate risks to which the company is exposed by its long term contractual agreements. These derivatives are initially recognised as assets and liabilities at their fair value and subsequently remeasured at each reporting date at their fair value. The fair value of the derivatives changes in response to prevailing market conditions. A gain of £1,422,030 was taken to equity in the period to 31 December 2015 (2014: loss of £3,708,876).

In estimating the fair value of an asset or a liability, the company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the company engages third party qualified valuers to perform the valuation.

## Academy Services (Oldham) Limited

### Notes to the financial statements Year ended 31 December 2015

#### 2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(Continued)

##### Hedge accounting

For each type of hedging relationship that is used, the following needs to be disclosed separately:

- ( a ) a description of the hedge
- ( b ) a description of the financial instruments designated as hedging instruments and their fair values at the reporting date; and
- ( c ) the nature of the risks being hedged, including a description of the hedged item.

For all financial assets and financial liabilities measured at fair value, including derivatives, the basis for determining fair value must be disclosed. When a valuation technique is used, it is necessary to explain the assumptions applied in determining fair value for each class of financial assets or financial liabilities.

#### 3. Revenue

	2015 £	Restated for the year to 31 December 2014 £
Unitary charge and other income	1,757,940	2,241,647
	<u>1,757,940</u>	<u>2,241,647</u>

All Revenue arose in the United Kingdom and from one operation.

#### 4. FINANCE INCOME

	2015 £	Restated for the year to 31 December 2014 £
Bank interest receivable	5,191	5,845
Finance income on financial asset	3,161,038	3,336,314
	<u>3,166,229</u>	<u>3,342,159</u>



# Academy Services (Oldham) Limited

## Notes to the financial statements Year ended 31 December 2015

### 5. FINANCE COSTS

	2015	Restated for the year to 31 December 2014
	£	£
Bank loan interest (Note 12)	2,357,205	2,453,803
Subordinated loan interest (Note 12)	494,000	494,000
	<u>2,851,205</u>	<u>2,947,803</u>

### 6. OPERATING PROFIT/(LOSS)

	2015	Restated for the year to 31 December 2014
	£	£
Operating profit/(loss) is stated after charging:		
Fees payable to the company's auditor:		
For the audit of the annual accounts:		
Company	8,100	7,150
Parent (borne by the company)	1,000	1,000
Total audit fees	<u>7,600</u>	<u>8,150</u>
Non-audit services:		
Taxation compliance services	2,100	2,970
Total non-audit fees	<u>2,100</u>	<u>2,970</u>
Total fees	<u>9,700</u>	<u>11,120</u>

# Academy Services (Oldham) Limited

## Notes to the financial statements Year ended 31 December 2015

### 7. TAXATION

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

The tax charge comprises:

	2015 £	Restated for the year to 31 December 2014 £
Current tax:		
UK Corporation tax on profits in the year	118,082	81,281
	<u>118,082</u>	<u>81,281</u>
Deferred tax:		
Reversal of timing differences	-	62,336
	<u>-</u>	<u>62,336</u>
Total tax on profit on ordinary activities	<u>118,082</u>	<u>143,617</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:

	2015 £	Restated for the year to 31 December 2014 £
Profit on ordinary activities before tax	583,123	685,881
	<u>583,123</u>	<u>685,881</u>
Profit on ordinary activities multiplied by effective rate of UK corporation tax of 20.25% (Restated for the year to 31 December:	118,082	81,281
	<u>118,082</u>	<u>81,281</u>
Current tax charge for the year	<u>118,082</u>	<u>81,281</u>

\*Blended rates for 2015 & 2014

## Academy Services (Oldham) Limited

### Notes to the financial statements Year ended 31 December 2015

#### (c) Deferred taxation

There was no deferred tax asset or liability in respect of tax losses in the current year (2014: £Nil)

The standard rate of tax applied to reported profit on ordinary activities is 20.25% (2014: 21.5%). The applicable tax rate has changed following the substantive enactment of the Finance (No 2) Act 2015, which provided for the reduction in the main rate of corporation tax from 20% to 19% on 1 April 2017 and from 19% to 18% on 1 April 2020. This will affect the future tax charge of Academy Services (Oldham) Limited.

It is not expected that this rate reduction will have a material impact on Academy Services (Oldham) Limited.

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so.

The following amounts relating to tax have been recognised in other comprehensive income:

	2015	Restated for the year to 31 December 2014
	£	£
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Cash flow hedges:		
Deferred tax asset brought forward	2,195,167	2,195,167
Effect of decrease in tax rate on opening liability	(219,517)	-
Deferred tax in respect of derivative financial instruments at 18% (2014: 20%)	(255,965)	-
Total deferred tax (Note 9)	<u>1,719,685</u>	<u>2,195,167</u>

#### 8. FINANCIAL ASSETS

	2015	Restated for the year to 31 December 2014
	£	£
Financial asset	42,419,576	44,186,570
	<u>42,419,576</u>	<u>44,186,570</u>

# Academy Services (Oldham) Limited

## Notes to the financial statements Year ended 31 December 2015

### 9. DEFERRED TAX

	2015	Restated for the year to 31 December 2014
	£	£
Deferred tax on Fair Value of Derivative financial instruments	<u>1,719,685</u>	<u>2,195,167</u>

### 10. TRADE AND OTHER RECEIVABLES

	2015	Restated for the year to 31 December 2014
	£	£
Trade receivables	813,915	-
Prepayments and accrued income	52,124	146,196
	<u>866,039</u>	<u>146,196</u>

### 11. SHORT-TERM INVESTMENTS

	2015	Restated for the year to 31 December 2014
	£	£
Bank deposits	<u>3,785,840</u>	<u>3,496,273</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.

**Academy Services (Oldham) Limited**

**Notes to the financial statements  
Year ended 31 December 2015**

**12. TRADE AND OTHER PAYABLES**

	2015	Restated for the year to 31 December 2014
	£	£
Trade payables	856,721	162,277
Accruals and deferred income	1,080,503	945,043
Corporation tax liability	57,330	81,293
Other taxes and social security	176,106	247,843
	<u>2,170,660</u>	<u>1,436,456</u>

**13. NON-CURRENT LIABILITIES**

	2015	Restated for the year to 31 December 2014
	£	£
Bank loan (secured)	38,546,508	40,243,797
Subordinated loan (unsecured)	3,800,000	3,800,000
	<u>42,346,508</u>	<u>44,043,797</u>

## Academy Services (Oldham) Limited

### Notes to the financial statements Year ended 31 December 2015

#### 14. BORROWINGS

Borrowings are repayable as follows:

	2015	Restated for the year to 31 December 2014
	£	£
Bank loans (secured)	40,243,798	41,844,648
Subordinated loans (unsecured)	3,800,000	3,800,000
Interest charge control account	(90,652)	(125,716)
	<u>43,953,146</u>	<u>45,518,932</u>
Bank loans are repayable as follows:		
Within one year	1,606,638	1,600,851
Between one and five years	8,178,911	7,541,306
Over five years	30,458,249	32,702,491
	<u>40,243,798</u>	<u>41,844,648</u>

The bank loan, secured by a charge on the company's shares, is under a facility agreement with a consortium of banks and is subject to a swap contract to fix the interest rate and minimise the interest rate exposure. The bank loan bears interest at a margin over LIBOR and is repayable in instalments to 2032. As a result of this contract, the effective rate for the loan is 5.7% (2014: 5.7%)

There were no borrowing costs capitalised in the current year (2014: £Nil).

The subordinated loan, which is repayable after more than five year, has been provided by the company's parent Academy Service (Oldham) Holdings Limited, and has an interest rate of 13%.

## Academy Services (Oldham) Limited

### Notes to the financial statements Year ended 31 December 2015

#### 15. DERIVATIVE FINANCIAL INSTRUMENTS

	2015 £	Restated for the year to 31 December 2014 £
Interest rate swap	(9,553,803)	(10,975,833)

The company enters into interest rate swaps to manage its exposure to interest rate fluctuations.

Under interest rate swap contracts, the company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the company to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date. The average interest rate is based on the outstanding balances at the end of the financial year.

#### 16. CALLED UP SHARE CAPITAL

	2015 £	Restated for the year to 31 December 2014 £
Allotted, called up and fully paid		
300,000 ordinary shares of £1 each	300,000	300,000

# Academy Services (Oldham) Limited

## Notes to the financial statements Year ended 31 December 2015

### 17. HEDGING RESERVE

	Hedging reserve £
Balance at 1 January 2014	(5,813,565)
Gain/(loss) recognised on cash flow hedges:	
RPI swap	
Interest rate swaps	(3,708,876)
Income tax related to gains/(losses) recognised in other comprehensive income	741,775
Balance at 31 December 2014	(8,780,666)
Gain/(loss) recognised on cash flow hedges:	
Interest rate swaps	1,422,030
Income tax related to gains/(losses) recognised in other comprehensive income	(475,482)
Balance at 31 December 2015	(7,834,118)

The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

### 18. MOVEMENT ON RESERVES AND RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S DEFICIT

	Retained profit/(loss) £
At 1 January 2014	252,142
Profit for the year	542,264
Dividend	(280,000)
At 1 January 2015	514,406
Profit for the year	465,043
Dividend	(100,000)
At 31 December 2015	879,448



## Academy Services (Oldham) Limited

### Notes to the financial statements Year ended 31 December 2015

#### 19. DIVIDENDS ON EQUITY SHARES

Dividend per share 33p (2014: 93p)

#### 20. DIRECTORS REMUNERATION

No director received any remuneration for services provided to the company during the year (2014: £nil).

#### 21. EMPLOYEES

The company had no employees in the year (2014: none).

#### 22. 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 IAS 24 (*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:

	2015		2014	
	Value of transactions £	Payable at year-end £	Value of transactions £	Payable at year-end £
KAJIMA PARTNERSHIPS LTD	77,176	-	76,433	-

KPL holds a 50% interest in the company's ultimate parent, Redwood Partnership Ventures 2 Limited. KPL is a member of the Kajima group of companies. The transactions were in respect of: KPL management services.

#### 23. 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 parent company, and the smallest and largest group into which the company is consolidated is Redwood Partnership Ventures 2 Limited, a company also incorporated in Great Britain. Copies of its financial statements are available at this company's registered office as shown on page 1.

## Academy Services (Oldham) Limited

### Notes to the financial statements Year ended 31 December 2015

#### 24. EXPLANATION OF TRANSITION TO FRS 101

This is the first year that the company has presented its financial statements under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under a previous GAAP (UK GAAP) were for the year ended 31 December 2014 and the date of transition to FRS 101 was therefore 1 January 2014.

##### Reconciliation of equity

	At 1 January 2014 £	At 31 December 2014 £
Equity reported under previous UKGAAP	387,238	404,009
<b>Adjustments to equity on transition to FRS 101</b>		
1. Borrowing costs written off	(3,461,160)	(3,461,160)
2. Construction margin	299,347	299,347
3. Timing differences relating to operating and finance income	3,610,987	3,900,052
4. Interest recognition timing differences	(242,398)	(223,633)
5. Taxation	(41,872)	(104,208)
6. Hedging reserve	(5,813,565)	(8,780,666)
Equity reported under FRS 101	<u>(5,261,423)</u>	<u>(7,966,260)</u>

##### Reconciliation of total comprehensive income for the year ended 31 December 2014

	£
Total comprehensive income for the financial year under previous UK GAAP	296,771
1. Adjustment for change in revenue	136,073
2. Adjustment for effective rate of interest on finance income	152,991
3. Adjustment for effective rate of interest on finance costs	18,765
4. Tax effect due to change in profit on ordinary activities before taxation	(62,336)
5. Hedging reserve	(3,708,876)
6. Deferred tax of hedging reserve	741,775
Total comprehensive income for the financial year under FRS101	<u>(2,424,837)</u>

## **Academy Services (Oldham) Limited**

### **Notes to the financial statements Year ended 31 December 2015**

#### **24. EXPLANATION OF TRANSITION TO FRS 101 (continued)**

##### **Derivative financial instruments**

FRS 101 requires financial instruments to be recognised at fair value and subsequently re-measured at each statement of financial position date at the current fair value. Previously under UK GAAP the company did not recognise these instruments in the financial statements. Changes in the fair value of the derivatives are recognised in the income statement unless they are designated and qualify for hedge accounting. Under hedge accounting to the extent that that hedge is deemed effective the gains and losses arising on the fair valuation of the instrument are deferred in equity. The company has qualified and applied hedge accounting from the date of transition.

##### **Service concession assets**

IFRIC 12 requires the service concession company expenditure on constructed assets to be recorded as financial assets. The company has reviewed the valuation of the concession company's financial assets assuming a single set of financial assumptions in respect of the discount rate, the margin on service costs and that attributed to the construction of the assets. Income is recognised by allocating a proportion of total cash projected to be received over the life of the project to service costs, by means of a deemed constant rate of return on these costs. The residual element of projected cash is allocated to the financial asset, using the effective interest method, giving rise to interest income which is recognised in the Income statement.

Borrowing costs are no longer permitted to be capitalised as financial assets are deemed not to be qualifying assets.