

Company Registration No. 05605028

Academy Services (Oldham) Limited

Report and Financial statements

31 December 2016



Academy Services (Oldham) Limited

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Academy Services (Oldham) Limited

Officers and professional advisers

Directors

A C Roper
M G D Holden
R T Massey
R W Driver

Company Secretary

J A Cheadle

Registered office

55 Baker Street
London
United Kingdom
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 2016. 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) Holdings 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. The agreement, together with the loan facilities agreement and management contract and other related contracts, were signed on 23 May 2006. the concession period runs from that date for a period of 27 years.

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 likely major changes in the company's activities in the next year.

Results and dividends

As shown in the company's Income statement account on page 8 and Note 3 on page 24, the company's revenue (excluding deemed sales) increased by 86% which is as a result of there being a significant reduction in performance penalties imposed by the Council. The gross profit increased by 23% compared to the previous year, resulting in a 40% uplift on the operating profit from £268,099 to £376,520. Overall, the company made a post-tax profit of £401,614 (2015: £465,043).

During the year, dividends of £500,000 (2015: £100,000) were paid. A further £500,000 was recognised in 2016 but paid on 17 January 2017. The directors recommend that no final dividend be paid (2015: £nil).

Financial risk management

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

Academy Services (Oldham) Limited

Directors' report (continued)

Financial risk management (continued)

Cash flow risk

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

Inflation risk

The company is exposed to inflation risk due to contractual obligations to its suppliers. The company mitigates this risk by an element of the unitary charge being linked to inflation.

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; and
- the ability of the swap provider to continue to meet their 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.

Share capital

Issued share capital at the year end was £300,000 (2015: £300,000).

Academy Services (Oldham) Limited

Directors' report (continued)

Directors

The current directors of the company are shown on page 1. On 2 February 2017 R T Massey was appointed as director and T O'Boyle resigned.

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 s418 of the Companies Act 2006.

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
Company Secretary

30 May 2017

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 period ended 31 December 2016 which comprise the Income statement, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 23. 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) including 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 2016 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.

Academy Services (Oldham) Limited

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' report.

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
United Kingdom

30th May 2017

Academy Services (Oldham) Limited

Income statement

Year ended 31 December 2016

	Note	2016 £	2015 £
Revenue	3	3,276,444	1,757,940
Cost of sales		<u>(2,670,914)</u>	<u>(1,265,313)</u>
Gross profit		<u>605,530</u>	<u>492,627</u>
Administrative expenses		<u>(229,010)</u>	<u>(224,528)</u>
Operating profit	6	<u>376,520</u>	<u>268,099</u>
Finance income	4	2,938,200	3,166,229
Finance costs	5	<u>(2,805,365)</u>	<u>(2,851,205)</u>
Profit on ordinary activities before taxation		509,355	583,123
Tax on profit on ordinary activities	7	<u>(107,741)</u>	<u>(118,080)</u>
Profit for the financial year		<u><u>401,614</u></u>	<u><u>465,043</u></u>

All results are derived from continuing operations.

The notes on pages 13 to 33 form part of these financial statements.

Academy Services (Oldham) Limited

Statement of other comprehensive income

Year ended 31 December 2016

	Note	2016 £	2015 £
Profit for the year		<u>401,614</u>	<u>465,043</u>
Items that may be reclassified subsequently to profit or (loss):			
Cash flow hedges:			
(Losses)/gains arising during the year	17	(1,464,495)	1,422,030
Deferred tax in relation to cash flow hedges	7	<u>153,426</u>	<u>(475,482)</u>
Total comprehensive (loss)/income for the year		<u><u>(909,455)</u></u>	<u><u>1,411,591</u></u>

The notes on pages 13 to 33 form part of these financial statements.

Academy Services (Oldham) Limited

Statement of financial position

As at 31 December 2016

	Note	2016 £	2015 £
Non-current assets			
Financial asset	8	40,697,294	42,419,576
Deferred tax	9	1,903,525	1,719,685
Current assets			
Trade and other receivables	10	973,626	866,039
Short term investments	11	4,272,475	3,785,840
Cash at bank and in hand		898,147	231,800
Total assets		<u>48,745,067</u>	<u>49,022,940</u>
Current liabilities			
Trade and other payables	12	(3,683,179)	(2,170,660)
Borrowings	14	<u>(1,787,082)</u>	<u>(1,606,638)</u>
Net current assets		<u>673,987</u>	<u>1,106,381</u>
Total assets less current liabilities		43,274,806	45,245,642
Non-current liabilities			
Derivative financial instruments	15	(11,018,298)	(9,553,803)
Borrowings	13/14	<u>(40,820,632)</u>	<u>(42,346,508)</u>
Net liabilities		<u><u>(8,564,124)</u></u>	<u><u>(6,654,669)</u></u>
Equity			
Called up share capital	16	300,000	300,000
Hedging reserve	17	(9,145,187)	(7,834,118)
Retained earnings	18	<u>281,063</u>	<u>879,449</u>
Equity attributable to owners of the company		<u><u>(8,564,124)</u></u>	<u><u>(6,654,669)</u></u>

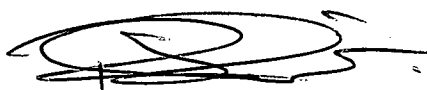
The notes on pages 13 to 33 form part of these financial statements.

Academy Services (Oldham) Limited

Statement of financial position (continued)

As at 31 December 2016

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 *30th May* 2017 and signed on its behalf by



R W Driver
Director

The notes on pages 13 to 33 form part of these financial statements.

Academy Services (Oldham) Limited

Statement of changes in equity

As at 31 December 2016

	Called up share capital £	Hedging reserve £	Retained earnings £	Total £
Balance at 1 January 2015	<u>300,000</u>	<u>(8,780,666)</u>	<u>514,406</u>	<u>(7,966,260)</u>
Profit for the year	-	-	465,043	465,043
Other comprehensive income for the year	<u>-</u>	<u>946,548</u>	<u>-</u>	<u>946,548</u>
Total comprehensive income for the year	-	946,548	465,043	1,411,591
Dividends	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>
Balance at 31 December 2015	<u>300,000</u>	<u>(7,834,118)</u>	<u>879,449</u>	<u>(6,654,669)</u>
Profit for the year	-	-	401,614	401,614
Other comprehensive loss for the year	<u>-</u>	<u>(1,311,069)</u>	<u>-</u>	<u>(1,311,069)</u>
Total comprehensive (loss)/income for the year	-	(1,311,069)	401,614	(909,455)
Dividends	<u>-</u>	<u>-</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Balance at 31 December 2016	<u><u>300,000</u></u>	<u><u>(9,145,187)</u></u>	<u><u>281,063</u></u>	<u><u>(8,564,124)</u></u>

The notes on pages 13 to 33 form part of these financial statements.

Academy Services (Oldham) Limited

Notes to the financial statements

Year ended 31 December 2016

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, registered in England and is a private company limited by shares. 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 2016 the company continued to adopt accounting framework FRS 101 as issued by the Financial Reporting Council. Therefore these financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101 "Reduced Disclosure Framework"). 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 company has applied Financial Reporting Standard 101 "Reduced Disclosure Framework" FRS 101 issued by the Financial Reporting Council (FRC) incorporating Amendments to FRS 101 issued by the FRC in July 2015 and the amendments to Company Law made by the Companies, Partnership and Groups (Accounts and Reports) Regulations 2015.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

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 Partnership 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.

Academy Services (Oldham) Limited

Notes to the financial statements (continued)

Year ended 31 December 2016

1. ACCOUNTING POLICIES (continued)

Basis of accounting (continued)

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 Partnership Ventures 2 Limited. The group accounts of Redwood Partnership 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.

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2016. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle

The company has adopted the amendments to IFRSs included in the Annual Improvements to IFRSs 2012-2014 Cycle for the first time in the current year.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

Academy Services (Oldham) Limited

Notes to the financial statements (continued)

Year ended 31 December 2016

1. ACCOUNTING POLICIES (continued)

Annual Improvements to IFRSs 2012-2014 Cycle (Continued)

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, The company has not applied the following new and revised IFRSs that have been issued but are not yet effective and had not yet been adopted by the EU:

IFRS 9

Financial Instruments

IFRS 15

Revenue from Contracts with Customers

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the company in future periods, except as noted; IFRS 9 will impact both the measurement and disclosures of financial instruments; and IFRS 15 may have an impact on revenue recognition and related disclosures.

The application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and the business model under which they are held. The impairment requirements of IFRS 9, which are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model, will generally result in earlier recognition of credit losses.

IFRS 15 is more prescriptive than the current IFRS requirements for revenue recognition and provides more application guidance. The disclosure requirements are also more extensive.

Beyond this, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

Taxation

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

Academy Services (Oldham) Limited

Notes to the financial statements (continued)

Year ended 31 December 2016

1. ACCOUNTING POLICIES (continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit may differ from net profit as reported in the income statement because it may exclude 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.

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.

Academy Services (Oldham) Limited

Notes to the financial statements (continued)

Year ended 31 December 2016

1. ACCOUNTING POLICIES (continued)

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.

Academy Services (Oldham) Limited

Notes to the financial statements (continued)

Year ended 31 December 2016

1. ACCOUNTING POLICIES (continued)

Financial assets (continued)

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 schools. 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. Investment income is recognised when it is probable that the economic benefits will flow to the company and the amount of revenue 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, 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.

Academy Services (Oldham) Limited

Notes to the financial statements (continued)

Year ended 31 December 2016

1. ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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.

When an available for sale financial asset is considered as impaired, cumulative gains and losses previously recognised as other comprehensive income reclassified to the profit and loss in the period.

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.

Academy Services (Oldham) Limited

Notes to the financial statements (continued)

Year ended 31 December 2016

1. ACCOUNTING POLICIES (continued)

Borrowing costs (continued)

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.

Derecognition of financial liabilities

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability recognised and the consideration paid and payable is recognised as profit or loss.

Derivative financial instruments

The company enters into a variety of derivative financial instruments to manage its exposure to interest rate and RPI risk, including interest rate swaps. Further details of derivative financial instruments are disclosed in note 15.

Academy Services (Oldham) Limited

Notes to the financial statements (continued)

Year ended 31 December 2016

1. ACCOUNTING POLICIES (continued)

Derivative financial instruments (continued)

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. The company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

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 ongoing 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 profit or loss, 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 profit or loss in the periods when the hedged item is recognised in profit or loss, 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.

Academy Services (Oldham) Limited

Notes to the financial statements (continued)

Year ended 31 December 2016

1. ACCOUNTING POLICIES (CONTINUED)

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 profit or loss.

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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of 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. The key accounting policies which require judgement are below.

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.

Academy Services (Oldham) Limited

Notes to the financial statements (continued)

Year ended 31 December 2016

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty

There are no key sources of estimation uncertainty which may cause a material adjustment to the carrying amount of assets and liabilities within the next financial year.

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 loss of £1,464,495 (2015: gain of £1,422,030) was taken to equity in the year to 31 December 2016.

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.

Service concession arrangement

As disclosed in Note 1, the company accounts for the project as a service concession arrangement. The directors use their judgement in selecting the appropriate financial asset rate to be applied in order to allocate the income received between revenue, and capital repayment of and interest income on the financial asset; and also the service margin that is used to recognise service revenue. The directors have also used their judgement in assessing the appropriateness of the future maintenance costs that are included in the company's forecasts. The directors will continue to monitor the condition of the assets and undertake a regular review of maintenance spend.

Academy Services (Oldham) Limited

Notes to the financial statements (continued)

Year ended 31 December 2016

3. REVENUE

	2016	2015
	£	£
Unitary charge and other income	<u>3,276,444</u>	<u>1,757,940</u>

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

4. FINANCE INCOME

	2016	2015
	£	£
Bank interest receivable	5,056	5,191
Finance income on financial asset	<u>2,933,144</u>	<u>3,161,038</u>
	<u>2,938,200</u>	<u>3,166,229</u>

5. FINANCE COSTS

	2016	2015
	£	£
Bank loan interest	2,269,610	2,357,205
Subordinated loan interest	<u>535,755</u>	<u>494,000</u>
	<u>2,805,365</u>	<u>2,851,205</u>

Academy Services (Oldham) Limited

Notes to the financial statements (continued)

Year ended 31 December 2016

6. OPERATING PROFIT

	2016	2015
	£	£
Operating profit is stated after charging:		
Fees payable to the company's auditor:		
For the audit of the annual accounts:		
Company	6,600	6,600
Parent (borne by the company)	1,000	1,000
	<u>7,600</u>	<u>7,600</u>
Total audit fees	<u>7,600</u>	<u>7,600</u>
Non-audit services:		
Taxation compliance services	2,200	2,100
Non statutory audit services	-	1,500
	<u>-</u>	<u>1,500</u>
Total fees	<u>9,800</u>	<u>11,200</u>

7. TAXATION

(a) Tax on profit on ordinary activities

The tax charge comprises:

	2016	2015
	£	£
Corporation tax:		
UK Corporation tax on profits in the year	101,871	118,082
Adjustments in respect of prior year	36,284	(2)
Deferred tax:		
Movement in temporary differences (note 9)	(30,414)	-
Effect of decrease in tax rate on deferred tax asset	-	-
	<u>(30,414)</u>	<u>-</u>
Total tax on profit on ordinary activities	<u>107,741</u>	<u>118,080</u>

Academy Services (Oldham) Limited

Notes to the financial statements (continued)

Year ended 31 December 2016

7. TAXATION (continued)

(b) Factors affecting tax charge 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:

	2016 £	2015 £
Profit on ordinary activities before tax	<u>509,355</u>	<u>583,123</u>
Profit on ordinary activities multiplied by effective rate of UK corporation tax of 20% (2015: 20.25%*)	101,871	118,082
Effect of:		
Tax relief utilised during the year	(4,473)	-
Adjustment in respect of prior year	<u>40,757</u>	<u>(2)</u>
Tax charge for the year	<u>138,155</u>	<u>118,080</u>
*Blended rate for 2015		

(c) Deferred taxation

Deferred tax is calculated at the tax rate that has been enacted or substantively enacted at the statement of financial position date. Deferred tax assets and liabilities at the end of the reporting period have been measured at 17% (2015: 18%), as it is anticipated that the timing differences will reverse at this rate.

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

Academy Services (Oldham) Limited

Notes to the financial statements (continued)

Year ended 31 December 2016

7. TAXATION (continued)

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

	2016	2015
	£	£
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges:		
Deferred tax asset brought forward	1,719,685	2,195,167
Effect of decrease in tax rate on opening liability	(95,538)	(219,517)
Deferred tax on derivative financial instruments at 17% (2015: 18%)	248,964	(255,965)
	<u>1,873,111</u>	<u>1,719,685</u>
Total deferred tax on derivative financial instruments	<u>1,873,111</u>	<u>1,719,685</u>

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provides for a further reduction in the main rate of corporation tax to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

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.

8. FINANCIAL ASSETS

	2016	2015
	£	£
Finance asset	<u>40,697,294</u>	<u>42,419,576</u>

9. DEFERRED TAX

	2016	2015
	£	£
Deferred tax asset on fair value of derivative financial instruments	1,873,111	1,719,685
Deferred tax relating to other temporary differences	<u>30,414</u>	<u>-</u>
	<u>1,903,525</u>	<u>1,719,685</u>

Academy Services (Oldham) Limited

Notes to the financial statements (continued)

Year ended 31 December 2016

10. TRADE AND OTHER RECEIVABLES

	2016 £	2015 £
Trade and other receivables	944,025	813,915
Prepayments and accrued income	29,601	52,124
	<u>973,626</u>	<u>866,039</u>

11. SHORT-TERM INVESTMENTS

	2016 £	2015 £
Bank deposits	<u>4,272,475</u>	<u>3,785,840</u>

The above deposits are held under the terms of the senior loan facility.

12. TRADE AND OTHER PAYABLES

	2016 £	2015 £
Trade payables	1,359,864	856,721
Accruals and deferred income	1,655,660	708,311
Due to group entities	396,451	372,192
Other taxes and social security	271,204	233,436
	<u>3,683,179</u>	<u>2,170,660</u>

Amounts due to group companies are repayable on demand.

Academy Services (Oldham) Limited

Notes to the financial statements (continued)

Year ended 31 December 2016

13. NON-CURRENT LIABILITIES

	2016 £	2015 £
Bank loan (secured)	36,772,955	38,546,508
Subordinated loan (unsecured)	<u>4,047,677</u>	<u>3,800,000</u>
	<u>40,820,632</u>	<u>42,346,508</u>

14. BORROWINGS

	2016 £	2015 £
Borrowings are as follows:		
Bank loans (secured)	38,560,037	40,153,146
Subordinated loans (unsecured)	<u>4,047,677</u>	<u>3,800,000</u>
	<u>42,607,714</u>	<u>43,953,146</u>
Bank loans are repayable as follows:		
Within one year	1,787,082	1,606,638
Between one and five years	8,564,525	8,178,911
Over five years	<u>28,208,430</u>	<u>30,367,597</u>
	<u>38,560,037</u>	<u>40,153,146</u>

The bank loan, secured by a charge on the company's shares, is under a facility agreement with a single bank 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%.

There have been no borrowing costs capitalised in the current year (2015: £nil).

Academy Services (Oldham) Limited

Notes to the financial statements (continued)

Year ended 31 December 2016

14. BORROWINGS (continued)

The unsecured subordinated loan, which is repayable in instalments to 2032, has an interest rate of 13.0% and is provided by Infrastructure Investments Limited and Kajima Partnerships Limited.

15. DERIVATIVE FINANCIAL INSTRUMENTS

	2016 £	2015 £
Interest rate swap	<u>11,018,298</u>	<u>9,553,803</u>

The company enters into a variety of derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps.

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

	2016 £	2015 £
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 (continued)

Year ended 31 December 2016

17. HEDGING RESERVE

	Hedging reserve £
Balance at 1 January 2015	<u>(8,780,666)</u>
Gain recognised on cash flow hedges:	
Interest rate swaps	1,422,030
Tax related to gains recognised in other comprehensive income	<u>(475,482)</u>
Balance at 31 December 2015	(7,834,118)
Loss recognised on cash flow hedges:	
Interest rate swaps	(1,464,495)
Tax related to losses recognised in other comprehensive income	<u>153,426</u>
Balance at 31 December 2016	<u><u>(9,145,187)</u></u>

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.

Academy Services (Oldham) Limited

Notes to the financial statements (continued)

Year ended 31 December 2016

18. RETAINED EARNINGS

	Retained Earnings
	£
At 1 January 2015	514,406
Profit for the year	465,043
Dividend	<u>(100,000)</u>
At 1 January 2016	879,449
Profit for the year	401,614
Dividend	<u>(1,000,000)</u>
At 31 December 2016	<u><u>281,063</u></u>

19. DIVIDENDS ON EQUITY SHARES

Dividend per share £3.33 (2015: £0.33).

20. DIRECTORS REMUNERATION

No director received any remuneration for services provided to the company during the year (2015: £nil).

21. EMPLOYEES

The company had no employees in the year (2015: nil).

Academy Services (Oldham) Limited

Notes to the financial statements (continued)

Year ended 31 December 2016

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 FRS 101 paragraph 101.8(k) 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:

	2016		2015	
	Value of transactions £	Payable at year-end £	Value of transactions £	Payable at year-end £
Kajima Partnerships Limited ("KPL")	<u>78,882</u>	<u>-</u>	<u>77,176</u>	<u>-</u>

KPL holds a 25% 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 and London Stock Exchange Legal Entity Identifier Licence Fee.

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.