

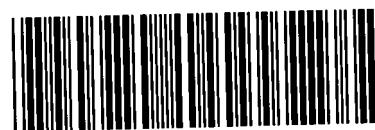
Company Registered No:05605028

Academy Services (Oldham) Limited

Report and financial statements

for the year ended 31 December 2017

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Academy Services (Oldham) Limited

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Academy Services (Oldham) Limited

Officers and professional advisers

Directors

R L Turnbull
M G D Holden
R T Massey
R W Driver
K S Hawkins

Company Secretary

J A Cheadle

Registered office

55 Baker Street
London
United Kingdom
W1U 8EW

Bankers

National Westminster Bank

Auditor

Deloitte LLP
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 2017. 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 to develop and operate two schools in the Oldham area under the UK Government's Private Finance Initiative. Both schools are now operational.

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 on page 8 and Note 3 on page 18, the company's revenue (excluding deemed sales) decreased by 7.9%, with the gross profit increasing by 44.8% compared to the previous year and an increase in operating profit from £376,520 to £490,393. Overall, the company made a post-tax profit of £546,225, (2016: £401,614).

Dividends of £900,000 have been paid in the year (2016: £500,000), of this £500,000 was recognised in 2016 but paid on 17 January 2017. The directors recommend that no final dividend be paid (2016: £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.

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 by linking an element of the unitary charge 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.

Academy Services (Oldham) Limited

Directors' report (continued)

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 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 financial statements.

Share capital

Issued share capital at the year end was £300,000, (2016: £300,000).

Directors

The current directors of the company are shown on page 1. On 2 November 2017, A C Roper resigned and R L Turnbull was appointed. On 2 February 2017 T O'Boyle resigned, R T Massey was appointed and on 30 January 2018 K S Hawkins was appointed. There were no other changes during the year or subsequently.

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
10th May 2018

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.

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Academy Services (Oldham) Limited (the 'company') which comprise:

- the income statement;
- the statement of other 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, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Academy Services (Oldham) Limited

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit for the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Report on other legal and regulatory requirements

Opinions 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.

Academy Services (Oldham) Limited

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.



Makhan Chahal ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

10th May 2018

Academy Services (Oldham) Limited

Income statement

For the year ended 31 December 2017

	Note	2017 £	2016 £
Revenue	3	3,018,555	3,276,444
Cost of sales		(2,141,623)	(2,670,914)
Gross profit		<u>876,932</u>	<u>605,530</u>
Administrative expenses		(386,539)	(229,010)
Operating profit		<u>490,393</u>	<u>376,520</u>
Finance income	4	2,842,946	2,938,200
Finance costs	5	(2,657,523)	(2,805,365)
Profit on ordinary activities before taxation	6	<u>675,816</u>	<u>509,355</u>
Tax on profit on ordinary activities	7	(129,591)	(107,741)
Profit for the financial year		<u><u>546,225</u></u>	<u><u>401,614</u></u>

All results are derived from continuing operations.

The notes on pages 12 to 25 form part of these financial statements.

Academy Services (Oldham) Limited

Statement of other comprehensive income

For the year ended 31 December 2017

	Note	2017 £	2016 £
Profit for the year		<u>546,225</u>	<u>401,614</u>
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges:			
Gain/(losses) arising during the year	17	1,324,853	(1,464,495)
Deferred tax in relation to cash flow hedges	7	<u>(225,225)</u>	<u>153,426</u>
Total comprehensive (loss)/income for the year		<u><u>1,645,853</u></u>	<u><u>(909,455)</u></u>

The notes on pages 12 to 25 form part of these financial statements.

Academy Services (Oldham) Limited

Statement of financial position

As at 31 December 2017

	Note	2017 £	2016 £
Non-current assets			
Financial asset	8	39,401,229	40,697,294
Deferred tax	9	1,674,498	1,903,525
Current assets			
Trade and other receivables	10	960,975	973,626
Short term investments	11	2,896,858	4,272,475
Cash at bank and in hand		113,627	898,147
Total assets		45,047,187	48,745,067
Current liabilities			
Trade and other payables	12	(1,785,631)	(3,683,179)
Current tax liabilities		(277,920)	-
Borrowings	14	(2,005,930)	(1,787,082)
Net current liabilities		(98,021)	673,987
Total assets less current liabilities		40,977,706	43,274,806
Non-current liabilities			
Derivative financial instruments	15	(9,693,445)	(11,018,298)
Borrowings	13/14	(38,602,532)	(40,820,632)
Net liabilities		(7,318,271)	(8,564,124)
Equity			
Called up share capital	16	300,000	300,000
Hedging reserve	17	(8,045,559)	(9,145,187)
Retained earnings	18	427,288	281,063
Equity attributable to owners of the company		(7,318,271)	(8,564,124)

The financial statements of Academy Services (Oldham) Limited, registered number 05605028, were approved by the Board of Directors on 10th May 2018 and signed on its behalf by



R W Driver
Director

The notes on pages 12 to 25 form part of these financial statements.

Academy Services (Oldham) Limited

Statement of changes in equity

For the year ended 31 December 2017

	Note	Called up share capital £	Hedging reserve £	Retained earnings £	Total £
Balance at 1 January 2016		300,000	(7,834,118)	879,449	(6,654,669)
Profit for the year		-	-	401,614	401,614
Other comprehensive income for the year	17	-	(1,311,069)	-	(1,311,069)
Total comprehensive income for the year		-	(1,311,069)	401,614	(909,455)
Dividends	18	-	-	(1,000,000)	(1,000,000)
Balance at 31 December 2016		300,000	(9,145,187)	281,063	(8,564,124)
Profit for the year		-	-	546,225	546,225
Other comprehensive income for the year	17		1,099,628		1,099,628
Total comprehensive income for the year			1,099,628	546,225	1,645,853
Dividends	18			(400,000)	(400,000)
Balance at 31 December 2017		<u>300,000</u>	<u>(8,045,559)</u>	<u>427,288</u>	<u>(7,318,271)</u>

The notes on pages 12 to 25 form part of these financial statements.

Academy Services (Oldham) Limited

Notes to the financial statements

For the year ended 31 December 2017

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 2017 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 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.

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 financial statements.

Academy Services (Oldham) Limited

Notes to the financial statements (continued)

For the year ended 31 December 2017

1. Accounting policies (continued)

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

IFRS 16 Leases

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; and
- IFRS 16 will have an impact on the reported assets, liabilities, income statement and cash flows of the company. Furthermore, extensive disclosures will be required by IFRS 16.

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.

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.

Academy Services (Oldham) Limited

Notes to the financial statements (continued)

For the year ended 31 December 2017

1. Accounting policies (continued)

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.

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.

Academy Services (Oldham) Limited

Notes to the financial statements (continued)

For the year ended 31 December 2017

1. Accounting policies (continued)

Financial assets

The company has adopted IFRIC 12 - Service Concession Arrangements whereby the client Oldham Metropolitan Borough Council has contracted with the company to operate 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 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.

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.

Academy Services (Oldham) Limited

Notes to the financial statements (continued)

For the year ended 31 December 2017

1. Accounting policies (continued)

Impairment of financial assets (continued)

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.

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.

Academy Services (Oldham) Limited

Notes to the financial statements (continued)

For the year ended 31 December 2017

1. Accounting policies (continued)

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.

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)

For the year ended 31 December 2017

1. Accounting policies (continued)

Cash flow hedge (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

There are no critical judgements that the directors have made in the process of applying the company's accounting policies.

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.

3. Revenue

	2017 £	2016 £
Unitary charge and other income	<u>3,018,555</u>	<u>3,276,444</u>

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

4. Finance income

	2017 £	2016 £
Bank interest receivable	20,702	5,056
Finance income on financial asset	<u>2,822,244</u>	<u>2,933,144</u>
	<u>2,842,946</u>	<u>2,938,200</u>

Academy Services (Oldham) Limited

Notes to the financial statements (continued)

For the year ended 31 December 2017

5. Finance costs

	2017 £	2016 £
Bank loan interest	2,155,584	2,269,610
Subordinated loan interest	501,939	535,755
	<u>2,657,523</u>	<u>2,805,365</u>

6. Profit on ordinary activities before taxation

Operating profit is stated after charging:

	2017 £	2016 £
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
Total audit fees	<u>7,600</u>	<u>7,600</u>
Non-audit services:		
Taxation compliance services	2,200	2,200
Non statutory audit services	-	-
Total fees	<u>9,800</u>	<u>9,800</u>

7. Taxation

(a) Tax on profit on ordinary activities

The tax charge comprises:

	2017 £	2016 £
Current tax:		
UK Corporation tax on profits in the year	130,095	101,871
Adjustments in respect of prior year	(4,305)	36,284
	<u>125,790</u>	<u>138,155</u>
Deferred tax:		
Movement in temporary differences	3,801	(30,414)
Total tax on profit on ordinary activities	<u>129,591</u>	<u>107,741</u>

Academy Services (Oldham) Limited

Notes to the financial statements (continued)

For the year ended 31 December 2017

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:

	2017 £	2016 £
Profit before tax	675,816	509,355
Profit multiplied by effective rate of UK corporation tax of 19.25% (2016: 20%)	130,095	101,871
Effect of:		
Prior year adjustment	-	40,757
Movement in temporary differences	3,801	(30,414)
Losses utilised during the year	(4,305)	(4,473)
Total tax charge for the year	129,591	107,741

(c) Deferred taxation

	2017 £	2016 £
Deferred tax relating to other temporary differences	26,612	30,414

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% (2016: 17%), 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.

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

	2017 £	2016 £
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges:		
Deferred tax asset brought forward	1,873,111	1,719,685
Effect of decrease in tax rate on opening liability	-	(95,538)
Deferred tax on derivative financial instruments at 17% (2016: 17%)	(225,225)	248,964
Total deferred tax on derivative financial instruments	1,647,886	1,873,111

The main rate of corporation tax reduced from 20% to 19% effective 1 April 2017, giving an effective corporation tax rate for the year ended 31 December 2017 of 19.25%. Finance Act 2016 provided for a further rate reduction from 19% to 17% effective from 1 April 2020. 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.

Academy Services (Oldham) Limited

Notes to the financial statements (continued)

For the year ended 31 December 2017

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

8. Financial assets

	2017 £	2016 £
Finance asset	39,401,229	40,697,294

9. Deferred tax

	2017 £	2016 £
Deferred tax asset on fair value of derivative financial instruments	1,647,886	1,873,111
Deferred tax relating to other temporary differences	26,612	30,414
	<u>1,674,498</u>	<u>1,903,525</u>

10. Trade and other receivables

	2017 £	2016 £
Trade and other receivables	915,950	944,025
Prepayments and accrued income	45,025	29,601
	<u>960,975</u>	<u>973,626</u>

11. Short-term investments

	2017 £	2016 £
Bank deposits	2,896,858	4,272,475

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

12. Trade and other payables

	2017 £	2016 £
Trade payables	31,469	1,359,864
Accruals and deferred income	1,629,646	1,655,660
Due to group entities	124,515	396,451
Other taxes and social security	277,920	271,204
	<u>2,063,551</u>	<u>3,683,179</u>

Amounts due to group companies are repayable on demand.

Academy Services (Oldham) Limited

Notes to the financial statements (continued)

For the year ended 31 December 2017

13. Non-current liabilities

	2017 £	2016 £
Bank loan (secured)	34,802,532	36,772,955
Subordinated loan (unsecured)	3,800,000	4,047,677
	<u>38,602,532</u>	<u>40,820,632</u>

14. Borrowings

	2017 £	2016 £
Borrowings are as follows:		
Bank loans (secured)	36,808,461	38,560,037
Subordinated loans (unsecured)	3,800,000	4,047,677
	<u>40,808,461</u>	<u>42,607,714</u>
Bank loans are repayable as follows:		
Within one year	2,005,930	1,787,082
Between one and five years	8,669,214	8,564,525
Over five years	26,133,317	28,208,430
	<u>36,808,461</u>	<u>38,560,037</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 5.6%.

There have been no borrowing costs capitalised in the current year (2016: £nil).

The unsecured subordinated loan, which is repayable in instalments to 2032, has an interest rate of 13.0% and has been provided by the company's parent, Academy Services (Oldham) Holdings Limited, has an effective interest rate of 13%.

Academy Services (Oldham) Limited

Notes to the financial statements (continued)

For the year ended 31 December 2017

15. Derivative financial instruments

	2017 £	2016 £
Interest rate swap	<u>9,693,445</u>	<u>11,018,298</u>

The company enters into a variety of derivative financial instruments to manage its exposure to interest rate risk and inflation 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

	2017 £	2016 £
Allotted, called up and fully paid 300,000 ordinary shares of £1 each	<u>300,000</u>	<u>300,000</u>
Authorised 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)

For the year ended 31 December 2017

17. Hedging reserve

	Hedging reserve £
Balance at 1 January 2016	<u>(7,834,118)</u>
(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>(9,145,187)</u>
Gain recognised on cash flow hedges:	
Interest rate swaps	1,324,853
Tax related to gains recognised in other comprehensive income	<u>(225,225)</u>
Balance at 31 December 2017	<u><u>(8,045,559)</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.

18. Retained earnings

	Retained earnings £
At 1 January 2016	879,449
Profit for the year	401,614
Dividends paid	<u>(1,000,000)</u>
At 1 January 2017	281,063
Profit for the year	546,225
Dividends paid	<u>(400,000)</u>
At 31 December 2017	<u><u>427,288</u></u>

19. Dividends on equity shares

Dividend per share 133p (2016: 333p).

20. Directors remuneration

No director received any remuneration for services provided to the company during the year (2016: £nil).

21. Employees

The company had no employees in the year (2016: nil).

Academy Services (Oldham) Limited

Notes to the financial statements (continued)

For the year ended 31 December 2017

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:

	2017		2016	
	Value of transactions £	Payable at year-end £	Value of transactions £	Payable at year-end £
Kajima Partnerships Limited ("KPL"):				
Management services	83,024	-	78,882	-

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.

23. Ultimate and immediate parent company

The company's immediate parent company is Academy Services (Oldham) Holding Limited, a company incorporated in the United Kingdom. Its ultimate parent and controlling company, and the smallest and largest group into which the company is consolidated is Redwood Partnership Ventures 2 Limited, a company also incorporated in the United Kingdom. Copies of its financial statements are available at this company's registered office as shown on page 1.