Company Registered No: 05321895

Academy Services (Sheffield) Holdings Limited

Report and financial statements

for the year ended 31 December 2017

Academy Services (Sheffield) Holdings Limited

Contents

Academy Services (Sheffield) Holdings Limited

Officers and professional advisers

Directors

S Bell
R W Driver
M G D Holden
R L Turnbull

Company Secretary

J A Cheadle

Registered office

55 Baker Street
London
United Kingdom
W1U 8EW

Bankers

National Westminster Bank Limited

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

Directors' report

The directors of Academy Services (Sheffield) Holdings 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 Redwood Partnership Ventures 2 Limited ("RPV2").

The company acts as the holding company of a single subsidiary, Academy Services (Sheffield) Limited ("ASSL"), together referred to as "the group". ASSL's principal activity is the design, construction, refurbishment, financing and maintenance of four schools in the Sheffield area under the UK Government's Private Finance Initiative. The company is now fully operational.

Results and dividends

As shown in the company's income statement account on page 8, the company's only income and expenditure consist of interest received on its subordinated loan notes from ASSL and the same amount of interest paid on its loan notes due to Kajima Partnerships Limited ("KPL") and Infrastructure Investments Holdings Limited ("IIHL") (for and on behalf of Infrastructure Investments Limited Partnership ("IILP")).

A total dividend of £625,000 has been paid in the year (2016: £200,000), of which £300,000 was approved in November 2016 but not paid until January 2017. Total dividends of £325,000 (2016: £500,000) have been recognised in the period. The directors recommend that no final dividend be paid (2016: £nil).

Financial risk management

In view of the fact that the company has no trade and owes, and is owed, equal amounts of loans on identical terms, the directors do not consider that it is exposed to any financial risks. However, ASSL is exposed to credit risk, interest rate risk, cash flow risk, inflation risk and liquidity risk.

Credit risk

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

Interest rate risk

ASSL's bank loan bears interest at a rate that fluctuates with the money market. ASSL 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

ASSL's activities expose it primarily to the financial risks of changes in interest rates. ASSL 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

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

Liquidity risk

ASSL 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 ASSL's ability to meet its future cash commitments and ensure compliance with the bank covenants.

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 2030, with interest payments economically hedged through an interest rate swap for the term of the loan. As a result of market uncertainty due to the economic environment, the following are potential risks to the company:

- the ability of key sub-contractors to continue to meet their contractual commitments; 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 £100 (2016: £100).

Directors

The current directors of the company are shown on page 1. On 2 November 2017 A C Roper and I A Wallace resigned and S Bell and R L Turnbull were appointed.

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 (Sheffield) Holdings 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 (Sheffield) Holdings Limited

Independent auditor's report to the members of Academy Services (Sheffield) Holdings 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 (Sheffield) Holdings Limited (the 'company') which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 17.

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.

Independent auditor's report to the members of Academy Services (Sheffield) Holdings 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.

Independent auditor's report to the members of Academy Services (Sheffield) Holdings 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

Makhan Chahal ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
10th May 2018

Income statement
For the year ended 31 December 2017

	Note	2017 £	2016 £
Income from shares in group undertakings		325,000	500,000
Finance income	5	468,000	469,282
Finance costs	6	(468,000)	(469,282)
Profit on ordinary activities before taxation		325,000	500,000
Tax charges on ordinary activities	7	-	-
Profit on ordinary activities after taxation for the financial year	14	325,000	500,000

All results are derived from continuing operations.

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

The notes on pages 11 to 19 form part of these financial statements.

Academy Services (Sheffield) Holdings Limited

Statement of financial position
As at 31 December 2017

	Note	2017 £	2016 £
Non-current assets			
Investments	8	100	100
Loans to subsidiaries	9	3,600,000	3,600,000
		3,600,100	3,600,100
Current assets			
Trade and other receivables	10	117,962	793,387
Total assets		3,718,062	4,393,487
Current liabilities			
Trade and other payables	11	(117,962)	(793,387)
Net current assets		-	-
Total assets less current liabilities		3,600,100	3,600,100
Non-current liabilities			
Borrowings	12	(3,600,000)	(3,600,000)
Net assets		100	100
Equity			
Called up share capital	13	100	100
Retained earnings	14	-	-
Equity attributable to the owners of the company		100	100

The financial statements of the company, registered number 05321895, 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 11 to 19 form part of these financial statements.

Academy Services (Sheffield) Holdings Limited

Statement of changes in equity
For the year ended 31 December 2017

	Note	Called up share capital £	Retained earnings £	Total £
Balance at 1 January 2016		100	-	100
Profit for the year	14	-	500,000	500,000
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	500,000	500,000
Dividends	14	-	(500,000)	(500,000)
Balance at 31 December 2016		100	-	100
Profit for the year	14	-	325,000	325,000
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	325,000	325,000
Dividends	14	-	(325,000)	(325,000)
Balance at 31 December 2017		100	-	100

The notes on pages 11 to 19 form part of these financial statements.

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

The company is 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 Financial Reporting Standard 101 "Reduced Disclosure Framework") ("FRS 101") as issued by the Financial Reporting Council. Therefore these financial statements were prepared in accordance with FRS 101. 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 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 RPV2.

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 RPV2. The group accounts of RPV2 are available to the public and can be obtained as set out in note 17.

Group accounts

The company has taken advantage of the exemption conferred by Section 400 of the Companies Act 2006 not to prepare consolidated financial statements as the results of the company are included within the consolidated financial statements of its parent company, RPV2 incorporated in Great Britain. Consequently, these financial statements present information about the company as an individual undertaking and not about its group.

Notes to the financial statements (continued)
For the year ended 31 December 2017

1. Accounting policies (continued)

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' report on pages 2 to 3. The directors' report also describes the financial position of the company; its cash flows, liquidity position and borrowing facilities and exposure to credit, 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.

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.

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 (continued)

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.

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 the income statement, 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.

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.

Investments

Investments in subsidiary companies are stated at cost less provision for impairment.

Notes to the financial statements (continued)
For the year ended 31 December 2017

1. Accounting policies (continued)

Financial assets

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 the income statement, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of 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 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 AFS and finance lease receivables, objective evidence of impairment could include:

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

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

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

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

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

Notes to the financial statements (continued)
For the year ended 31 December 2017

1. Accounting policies (continued)

Impairment of financial assets (continued)

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statement 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.

Held to maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

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.

Financial liabilities

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

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at FVTPL

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in the income statement. The net gain or loss recognised in the income statement 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 in the income statement.

Notes to the financial statements (continued)
For the year ended 31 December 2017

1. Accounting policies (continued)

Interest receivable

Interest is accounted for on an accruals basis.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive the payments has been established, provided it is probable that the economic benefits will flow to the group and the amount of revenue can be measured reliably.

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.

3. Information regarding directors and employees

The company has no employees other than its directors, who received no remuneration for their services as directors of the company during the year.

4. Auditor's remuneration

The company's audit fees of £1,000 (2016: £1,000) have been borne by the company's subsidiary.

5. Finance income

	2017 £	2016 £
Subordinated loan interest receivable	468,000	469,282

6. Finance costs

	2017 £	2016 £
Subordinated loan interest payable	468,000	469,282

Notes to the financial statements (continued)

For the year ended 31 December 2017

7. Taxation

(a) Tax on profit on ordinary activities

In view of the fact that the company's only net income consists of a non-taxable dividend from its subsidiary company, no tax charge or credit arises in the year (2016: £nil).

(b) Factors affecting tax credit for the year

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

	2017	2016
	£	£
Profit on ordinary activities before tax	325,000	500,000
Profit on ordinary activities multiplied by effective rate of UK corporation tax of 19.25% (2016: 20%)	62,563	100,000
Effect of:		
Non-taxable dividends received	(62,563)	(100,000)
Current tax charge for the year	-	-

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. This will not affect the future tax charge of the company.

It is not expected that this rate reduction will have a material impact on the company.

There is no deferred tax asset or liability at the reporting date (2016: £nil).

8. Fixed asset investment

	2017	2016
	£	£
£1 ordinary shares in subsidiary undertaking	100	100

The investment represents the company's 100% holding in ASSL, a company registered in England and Wales at the registered office listed on page 1, whose activities relate to a private finance initiative project.

9. Non-current assets

	2017	2016
	£	£
Subordinated loan notes	3,600,000	3,600,000

Notes to the financial statements (continued)
For the year ended 31 December 2017

10. Trade and other receivables

	2017 £	2016 £
Dividends approved	-	300,000
Subordinated loan interest accrued	117,962	493,387
	117,962	793,387

11. Trade and other payables

	2017 £	2016 £
Dividends approved	-	300,000
Subordinated loan interest accrued	117,962	493,387
	117,962	793,387

12. Borrowings

	2017 £	2016 £
Subordinated loan notes	3,600,000	3,600,000

The subordinated loan notes have an interest rate of 13.0% and are repayable after more than five years.

No borrowing costs were capitalised during the year (2016: £nil).

13. Called up share capital

	2017 £	2016 £
Allotted, called up and fully paid		
100 'A' ordinary shares of £1 each	100	100
	100	100

All shares rank equally in every respect.

Notes to the financial statements (continued)
For the year ended 31 December 2017

14. Retained earnings

	Retained earnings £
Company	
At 1 January 2016	-
Profit for the year	500,000
Dividend paid	(500,000)
At 31 December 2016	-
Profit for the year	325,000
Dividend paid	(325,000)
At 31 December 2017	-

15. Dividends on equity shares

Dividend per share £3,250 (2016: £5,000).

16. Transactions with directors and other related parties

There are no transactions between 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")	58,500	464,745	58,660	494,075
Sheff Schools Topco Limited ("Topco|")	234,000	1,858,981	234,641	2,117,086
IIHL*	175,500	1,394,236	175,981	1,482,226

* IIHL for and on behalf of IILP.

KPL and IILP respectively hold a 25% and 75% interest in the company's ultimate parent, RPV2, which holds a 100% interest in Topco. The above transactions were in respect of interest payable on the subordinated loan notes (Notes 9 & 10). KPL is a member of the Kajima group of companies.

17. Ultimate and immediate parent company

The company's immediate, ultimate and controlling parent company, and smallest and largest group into which the company is consolidated is RPV2, copies of whose financial statements are available from the registered office (see page 1).