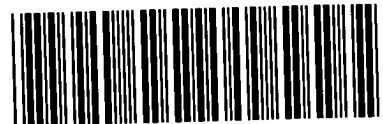




Axiom Education (Edinburgh) Holdings Limited
(Reg No. 05937064)

Strategic report, Directors' report and audited financial statements
For the year ended
31 December 2016

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Strategic report

Business review

The Company acts as a holding company for the investment in its subsidiary undertaking, Axiom Education (Edinburgh) Limited.

The profit for the year was nil (2015: £1,200,000). The Company received and paid on to its parent £3,063,000 of subordinated debt interest (2015: £1,455,000). The increase in interest from 2015 to 2016 is due to Spens interest of £1,635,000 which was paid to the parent. The Spens interest was payable due to the early repayment of part of the subordinated debt principal. As a result of early repayment, the loan note holder foregoes future interest income therefore compensation interest (Spens interest) becomes payable immediately.

The net assets of the Company are in a healthy position and have increased in the year from £25,648,000 in 2015 to £28,272,000 in 2016 which is driven mainly by the revaluation gain on the investment.

As the Company acts as a holding company only, there are no relevant future developments planned.

Key performance indicators

In its position as a holding company, there are no relevant KPI's for the Company.

Key risks and uncertainties

The key risk for the Company is the ability of its subsidiary to repay the subordinated debt and therefore allow the Company to service its own debt.

City of Edinburgh Council (the "Authority") is the sole client of the Company's subsidiary, but the directors consider that no risk arises from such a small client base since the Secretary of State for Education has implicitly underwritten the Authority's obligations.

Most of the performance risk under the Project Agreement and related contracts is passed on to the subcontractors Mitie PFI. The obligations of the service provider and building subcontractor are underwritten by respective parent company guarantees. The Company's subsidiary is exposed to the risk of non-performance by its subcontractors; however, penalties imposed by the Authority will be passed onto the subcontractor at fault under the terms of the subcontracts.

Mitie PFI has been operating and maintaining the new project facilities since the first school opened in November 2008. The relationship between the Company and Mitie PFI is excellent with the parties meeting formally on a regular basis with ad hoc meetings held when required. Both parties have a very positive working relationship with the Authority at a management level and with the individual schools. Mitie PFI's performance is generally very good and this is reflected in the low level of deductions applied.

By order of the board



Geoffrey Quaife

Director

Cowley Business Park,
Cowley,
Uxbridge,
Middlesex,
UB8 2AL

26 September 2017

Directors' report

The directors present their report and the audited financial statements of Axiom Education (Edinburgh) Holdings Limited ("the Company") for the year ended 31 December 2016.

Activities

The principal activity of the Company is to act as a holding company for the investment in its subsidiary undertaking.

Results and dividends

The results for the year are shown in the profit and loss account on page 6. The directors have not paid a dividend in the year (2015: £1,220,000).

Directors and director's interests

The directors of the Company during the year and up to the date of this report were as follows:

Mark Holden
Geoffrey Quaife

The directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Political and charitable contributions

There were no donations of a political or charitable nature made during the current or prior years.

Prior year restatement

The prior year comparatives have been restated in these accounts.

In accordance with FRS 102, a deferred tax liability was recognised in respect of the revaluation of the investment held in subsidiary company, Axiom Education (Edinburgh) Limited as at and for the year ended 31 December 2015. The tax rate applied was 18%. However, on review of the tax legislation applicable to the nature of the investment in the subsidiary in the current year, it is expected that no tax would arise on recovery of the investment and hence deferred tax should have been recognized at a rate of 0%. An adjustment has been recognised to reduce the deferred tax liability and increase the revaluation reserve as at 31 December 2015 accordingly. The impact of this restatement is detailed in note 21.


Disclosure of information to the auditor

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditors are deemed to be reappointed and therefore KPMG LLP will continue in office.

By order of the Board


Geoffrey Quaife

Director

Cowley Business Park,
Cowley,
Uxbridge,
Middlesex,
UB8 2AL

26 September 2017

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and financial statements

The directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Axiom Education (Edinburgh) Holdings Limited

We have audited the financial statements of Axiom Education (Edinburgh) Holdings Limited for the year ended 31 December 2016 set out on pages 6 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its result for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Axiom Education (Edinburgh) Holdings Limited *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Richard Lomax (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

3 Assembly Square
Britannia Quay
Cardiff

CF10 4AX

28 September 2017

Profit and Loss Account and Statement of Other Comprehensive Income
for the year ended 31 December 2016

		2016	2015
		£'000	£'000
	Notes		As restated (see note 21)
Interest payable and similar expenses	6	(3,063)	(1,455)
Interest receivable and similar income	7	3,063	1,455
Income from shares in group undertakings		-	1,200
Profit before taxation		-	1,200
Tax on profit/(loss)	8	-	-
Profit after taxation		-	1,200
Other Comprehensive Income			
<i>Items that will or may be reclassified to profit and loss.</i>			
Revaluation of Investments	9	2,624	(1,983)
Other Comprehensive Income/(loss) for the year		2,624	(1,983)
Total Comprehensive Income/(loss) for the year		2,624	(783)

The results above are all in respect of the continuing operations of the Company.

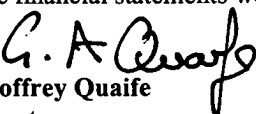
The notes on pages 9 to 17 form an integral part of the financial statements.

Balance Sheet
as at 31 December 2016

Reg No.05937064

	Notes	2016 £'000	2015 £'000 As restated (see note 21)
Fixed assets			
Investments	9	28,270	25,646
Current assets			
Debtors: amounts falling due within one year	10	3,463	554
Debtors: amounts falling due over one year	11	9,956	11,048
Cash at bank in hand		2	2
Total current assets		13,421	11,604
Total assets		41,691	37,250
Current liabilities			
Creditors: amounts falling due within one year	12	(3,463)	(554)
Net current assets		9,958	11,050
Total assets less current liabilities		38,228	36,696
Creditors: amounts falling due after more than one year	13	(9,956)	(11,048)
Provisions for liabilities	15	-	-
Net assets		28,272	25,648
Capital and reserves			
Called up share capital	16	174	174
Revaluation reserve		28,097	25,473
Profit and loss account		1	1
Shareholders' funds		28,272	25,648

The financial statements were approved by the Board of Directors on 26 September 2017 and signed on its behalf by:


Geoffrey Quaife
Director

The notes on pages 9 to 17 form an integral part of the financial statements.

**Statement of Changes in Equity
for the year ended 31 December 2016**

	Called up share capital	Revaluation reserve	Profit and loss account	Total Equity
Balance at 1 January 2015	174	21,929	21	22,124
Prior year adjustment (see note 21)	-	5,527	-	5,527
Balance at 1 January 2015 (as restated)	174	27,456	21	27,651
Total comprehensive income for the period				
Profit	-	-	1,200	1,200
Other comprehensive income (as restated)	-	(1,983)	-	(1,983)
Total comprehensive income for the period (as restated)	-	(1,983)	1,200	(783)
Dividends	-	-	(1,220)	(1,220)
Total contributions by and distributions to owners	-	-	(1,220)	(1,220)
Balance at 31 December 2015 (as restated)	174	25,473	1	25,648

	Called up share capital	Revaluation reserve	Profit and loss account	Total Equity
Balance at 1 January 2016	174	25,473	1	25,648
Total comprehensive income for the period				
Profit	-	-	-	-
Other comprehensive income	-	2,624	-	2,624
-Total comprehensive income for the period	-	2,624	-	2,624
Dividends	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-
Balance at 31 December 2016	174	28,097	1	28,272

The notes on pages 9 to 17 form an integral part of the financial statements.

Notes (forming part of the financial statements)

1 Basis of preparation

Axiom Education (Edinburgh) Holdings Limited (the "Company") is a private company limited by shares and incorporated and domiciled in England in the UK. These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014 and the requirements of the Companies Act 2006. The amendments to FRS102 issued in July 2015 have been adopted.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's parent undertaking, Zealburg Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Zealburg Holdings Limited are prepared in accordance with FRS102 and are available to the public and may be obtained from the registered address in note 19. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 400 of the Companies Act 2006 because it is a wholly owned subsidiary of Zealburg Holdings Limited. These financial statements present information about the Company as an individual undertaking and not about its group.

As the Company is a wholly owned subsidiary of Zealburg Holdings Limited, the Company has taken advantage of the exemption covered in FRS102 section 33 and has therefore not disclosed transactions or balances with entities which form part of that group (or investees of the group qualifying as related parties).

As the consolidated financial statements of Zealburg Holdings Limited include disclosures equivalent to these required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102-11 Basic Financial Instruments and FRS 102-12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 20.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: Investments in subsidiaries

Going concern

The directors believe that preparation on a going concern basis is appropriate for the following reasons. The directors have reviewed the cash flow forecast for the full service concession term and believe that the Company will be able to settle their liabilities as they fall due for payment for the foreseeable future. They are satisfied that the interest receipts from the Company's subsidiary, Axiom Education (Edinburgh) Limited, will be received and can service the interest payments to the loan note holder.

Notes (continued)

2 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements:

(a) Investments

Investments are held at fair value with changes in fair value going through the revaluation reserve.

Fair value has been calculated by the directors based upon the forecast cashflows of the group discounted at an appropriate rate to account for the risk of the specific project

(b) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

(c) Dividends on shares presented within equity

Dividends are only recognised as a liability to the extent that they are declared prior to the year end, have been approved by the shareholders and are therefore irrevocable. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

(d) Basic financial instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Interest bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Notes (continued)

2 Accounting policies (continued)

(e) Expenses

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable on borrowings and associated ongoing financing fees.

Other interest receivable and similar income include interest receivable on funds invested and interest receivable on amounts lent to group undertakings.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

(f) Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3 Audit fees

	2016 £'000	2015 £'000
Auditor's remuneration		
Audit of financial statements	1	1
	<u>1</u>	<u>1</u>

The audit fees are borne by Axiom Education (Edinburgh) Limited.

4 Staff numbers and costs

The Company had no employees in either the current or the prior year.

5 Remuneration of Directors

The directors received no remuneration for their services (2015: £nil). The directors' duties to this company are incidental and as a result, no qualifying services have been performed.

6 Interest payable and similar expenses

	2016 £'000	2015 £'000
Subordinated loan note interest payable	3,063	1,455
	<u>3,063</u>	<u>1,455</u>

Notes (continued)

7 Interest receivable and similar income

	2016 £'000	2015 £'000
Subordinated loan note interest receivable	3,063	1,455
	<u>3,063</u>	<u>1,455</u>

8 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2016 £'000	2015 £'000
Total current tax	-	-

	2016 £'000	2015 £'000 As restated
Deferred tax (see note 15)		
Origination and reversal of timing differences	-	-
Total deferred tax	-	-
Total Tax	<u>-</u>	<u>-</u>

	2016			2015 As restated		
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in Profit and loss	-	-	-	-	-	-
Recognised in other comprehensive income	-	-	-	-	-	-

Reconciliation of effective tax rate

	2016 £'000	2015 £'000
Profit before taxation	-	1,200
Current tax at 20 % (2015: 20.25%)	-	243
<i>Effect of:</i>		
Income not taxable	-	(243)
Total Tax expense included in Profit and Loss	<u>-</u>	<u>-</u>

Notes (continued)

8 Taxation (continued)

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to 17% (effective 1 April 2020) was substantively enacted on the 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 December 2016 has been calculated based on the rate that will apply on reversal of the timing difference.

9 Investment

	Investment in subsidiary undertakings
	£'000
At 31 December 2015	25,646
Revaluation gain for the year	2,624
At 31 December 2016	<u>28,270</u>

Investments in subsidiary undertaking are valued using a discounted cashflow methodology. The valuation techniques and methodologies have been applied consistently with the prior year. The valuation assumes discount rate of 7.0% (2015: 7.5%), tax rate of 18%, reducing to 17% (2015: 20%) and inflation rate of 2.5% (2015: 2.5%).

Subsidiary undertaking	Registered Office	Country of incorporation	Principal activity	Class & percentage of shares held
Axiom Education (Edinburgh) Limited	Cowley Business Park, Cowley, Uxbridge, UB8 2AL	England	PFI	100% of Ordinary Shares

10 Debtors: amounts falling due within one year

	2016 £'000	2015 £'000
Subordinated loan notes receivable	234	190
Spens interest	1,635	-
Other debtors	1,594	364
	<u>3,463</u>	<u>554</u>

Notes (continued)

11 Debtors: amounts falling due over one year

	2016 £'000	2015 £'000
Subordinated loan notes receivable	<u>9,956</u>	<u>11,048</u>

On 4 July 2011, the Company acquired unsecured loan notes of £12,539,000 issued by its subsidiary, Axiom Education (Edinburgh) Limited. The loan notes receivable and payable attract interest at a rate of 12.75% payable annually and are repayable by 2037.

12 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Subordinated loan notes payable	234	190
Spens interest	1,635	-
Accruals	1,064	364
Other creditors	<u>530</u>	<u>-</u>
	<u>3,463</u>	<u>554</u>

13 Creditors: amounts falling due over one year

	2016 £'000	2015 £'000
Subordinated loan notes payable	<u>9,956</u>	<u>11,048</u>

On 4 July 2011, the Company issued unsecured subordinated loan notes of £12,539,000. The loan notes payable attract interest at a rate of 12.75% receivable annually. The loan notes are repayable by 2037 in installments.

14 Analysis of debt

	2016 £'000	2015 £'000
Debt can be analysed as falling due:		
In one year or less, or on demand	234	190
Between two and five years	1,126	1,008
In five years or more	<u>8,830</u>	<u>10,040</u>
	<u>10,190</u>	<u>11,238</u>

Notes (continued)

15 Deferred tax liability

As no tax would be payable on recovery of the investment held by the company, no deferred tax liability arises on revaluation.

16 Called up share capital

	2016 £'000	2015 £'000
Allotted, called up and fully paid:		
174,000 ordinary shares of £1 each	174	174

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

17 Financial instruments

(a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2016 £'000	2015 £'000
Assets measured at fair value through other comprehensive income		
Investment	28,270	25,646
Assets measured at amortised cost		
- Trade and other debtors	3,229	364
- Subordinated debt	10,190	11,238
Assets measured at cost less impairment		
- Cash and Cash equivalents	2	2
Liabilities measured at amortised cost		
- Accruals and amounts owed to group undertakings	3,229	364
- Subordinated debt	10,190	11,238

Notes (continued)

18 Related party transactions

Infrastructure Investments LP is an intermediate Holding Company of the Company.

During the year, the Company incurred costs charges by these related parties as follows:

	Transactions		Balance owed to/(from) at year end	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Subordinated debt interest				
Infrastructure Investments LP	3,063	1,455	2,699	364
Subordinated debt capital				
Infrastructure Investments LP	1,048	630	10,190	11,238
	4,111	2,085	12,889	11,602

19 Ultimate controlling parties

The Company is a subsidiary undertaking of Zealburg Holdings Limited, a company incorporated and domiciled in England in the UK.

The smallest and largest Group in which the results of the Company are consolidated is that headed by Zealburg Holdings Limited a Company incorporated in England in the UK. The consolidated accounts of this Group are available to the public and may be obtained from 12 Charles II Street, London, SW1Y 4QU.

HICL Infrastructure Company Limited is the ultimate controlling party, incorporated in Guernsey. The registered address for this company is 12 Charles II Street, London, SW1Y 4QU.

20 Accounting estimates and judgements

The preparation of financial statements in conformity with FRS102 requires management to make judgements, estimates and assumptions that affect the application of application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. 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 revision and future periods if the revision affects both current and future periods.

Certain critical accounting judgements in applying the Group's accounting policies are described below:

- Valuation of the investment in subsidiaries requires critical judgments of discount rate, inflation and tax rates applied to the future cashflows of the investment.

Notes *(continued)*

21 Prior period adjustment

The prior period adjustment relates to the overstatement of deferred tax liability on the revaluation of the investment in the subsidiary. In accordance with FRS 102, a deferred tax liability was recognized in respect of the revaluation of the investment held in the company's subsidiary, Axiom Education (Edinburgh) Limited as at and for the year ended 31 December 2015. The deferred tax rate applied was 18%. However, on review of the tax legislation applicable to the nature of the investment on the subsidiary, it is expected that no tax would be incurred on recovery of the investment and hence deferred tax should have been recognised at a rate of 0%.

An adjustment has therefore been recognised to reduce the deferred tax at 31 December 2015 by £4,617,000 (2014: £5,527,000) and to increase the revaluation reserve by the same amount. Other comprehensive income for the year ended 31 December 2015 has been reduced by £910,000.