

Registered No: 3808875

Kenton School Services Limited

Report and financial statements

for the year ended 31 March 2003



Kenton School Services Limited
Report and financial statements
for the year ended 31 March 2003

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Kenton School Services Limited

Directors and advisors

Directors

P H Gardiner
R S McClatchey
R N Johnson
A E Birch

Secretary

Jarvis Secretaries Limited

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Registered office

Frogmore Park
Watton-at-Stone
Hertford
SG14 3RU

Kenton School Services Limited

Directors' report for the year ended 31 March 2003

The directors present their report and the audited financial statements for the year ended 31 March 2003.

Results, principal activities and review of the business

The principal activity of the company during the year was the construction of a school and the provision of related facilities management services. The construction phase was completed during August 2002. The service phase of the contract is now in progress and is expected to generate income in accordance with contractual arrangements.

The profit for the year attributable to shareholders and reported in the financial statements is £94,000 (2002: £Nil).

Events since the balance sheet date

On 24 October 2003, the company's share capital was transferred to Jarvis PFI Holdings Limited, a joint venture between Jarvis plc and Barclays Infrastructure Limited.

On 24 October 2003, the company restructured its financing arrangements to benefit from more attractive financing terms resulting from the successful completion of construction.

Dividend

The directors do not recommend the payment of a dividend (2002: £ Nil).

Directors

The directors holding office during the year ended 31 March 2003 and appointed subsequent to that date are shown below:

R S McClatchey	
B R G G Smith	(resigned 28 June 2002)
A J Sutton	(resigned 11 February 2004)
G K H Mason	(resigned 14 February 2003)
P H Gardiner	(appointed 14 February 2003)
A E Birch	(appointed 2 July 2003, alternate director to A J Sutton; resigned 11 February 2004; re-appointed 11 February 2004, alternate director to R N Johnson)
R N Johnson	(appointed 11 February 2004)

Directors' interests

At 31 March 2003 none of the directors had any interests in the shares of the company.

Employee involvement

The company operates through sub contracting services and does not employ any staff.

Kenton School Services Limited

Directors' report (continued) for the year ended 31 March 2003

Creditor payment terms

When entering into commitments for the purchase of services and goods the company gives due consideration to quality, price and the terms of payment. Suppliers are made aware of these terms. The company abides by these terms where it is satisfied that suppliers have provided the services or goods in accordance with such agreed terms and conditions. In the event of disputes, every effort is made to resolve these quickly.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required:

- To select suitable accounting policies and then apply them consistently;
- To make judgements and estimates that are reasonable and prudent;
- To prepare 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 ensuring that proper accounting records are kept which 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 1985. 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.

Auditors

Having passed elective resolutions of the shareholders at an extraordinary general meeting the company is exempt from the obligation to annually re-appoint auditors and to hold annual general meetings. Accordingly the board recommend that Ernst & Young LLP continue in office as auditors to the company.

By order of the board



For and on behalf of
Jarvis Secretaries Ltd

Jarvis Secretaries Limited
Secretary

18 February

2004

Kenton School Services Limited

Independent auditors' report to the members of Kenton School Services Limited

We have audited the company's financial statements for the year ended 31 March 2003 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 17. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

Kenton School Services Limited

Independent auditors' report to the members of Kenton School Services Limited (continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

18 February

2004

Kenton School Services Limited

Profit and loss account for the year ended 31 March 2003

	Notes	Year ended 31 March 2003 £'000	Year ended 31 March 2002 £'000
Turnover	2	702	-
Cost of sales		(545)	-
Gross profit		157	-
Operating expenses	4	(157)	-
Operating result		-	-
Interest receivable and similar income	6	980	-
Interest payable and similar charges	7	(839)	-
Profit on ordinary activities before taxation		141	-
Tax on profit on ordinary activities	8	(47)	-
Retained profit for the year		94	-

The results above reflect the continuing operations of the company.

The company has no recognised gains and losses other than the profit for the year ended 31 March 2003 and result for the year ended 31 March 2002 and therefore no separate statement of total recognised gains and losses has been presented.

Kenton School Services Limited

Balance sheet as at 31 March 2003

	Notes	31 March 2003 £'000	31 March 2002 £'000
Current assets			
Debtors: amounts falling due within one year	9	954	910
Debtors: amounts falling due after more than one year	10	21,086	28,173
Cash at bank and in hand		539	781
		<u>22,579</u>	<u>29,864</u>
Creditors: amounts falling due within one year	11	(1,514)	(22,716)
Net current assets		<u>21,065</u>	<u>7,148</u>
Creditors: amounts falling due after more than one year	12	(20,706)	(6,930)
Provision for liabilities and charges	13	(47)	-
		<u>312</u>	<u>218</u>
Capital and reserves			
Share capital	14	218	218
Profit and loss account	15	94	-
Equity shareholders' funds		<u>312</u>	<u>218</u>

The financial statements on pages 6 to 14 were approved by the board on 18 February 2004 and were signed on its behalf by:



P GARDINER
DIRECTOR



R S McCLATCHEY
DIRECTOR

Kenton School Services Limited

Notes to the financial statements for the year ended 31 March 2003

1. Principal accounting policies

(a) Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and the Companies Act 1985.

(b) Cash flow statement

The company has taken advantage of the exemption available under FRS 1 (revised) and has not prepared a cash flow statement.

(c) Finance receivable

The company has adopted the provisions of FRS 5 (Application note F) in determining the appropriate treatment of the principal asset of the company. After due consideration the company has accounted for its investment as a finance receivable asset. All attributable expenditure during the construction phase of the project, including net finance costs, is included in the cost of the finance asset. On completion of construction, the amortisation of the finance asset is calculated to write off the cost over the operational phase of the contract.

(d) Interest rate swaps

Interest rate swaps are used to hedge the company's exposure to movements on interest rates. The interest payable on such swaps is accrued in the same way as interest arising on borrowings.

(e) Taxation

(i) Current tax

The charge for current taxation for the year is based on the result for the year, adjusted for disallowable items.

(ii) Deferred tax

Full provision has been made for deferred taxation in respect of timing differences that have originated, but not reversed at the balance sheet date where an event has occurred that results in an obligation to pay more or less tax in the future by the balance sheet date except that:

Kenton School Services Limited

Notes to the financial statements (continued) for the year ended 31 March 2003

(e) Taxation (continued)

(ii) Deferred tax (continued)

- Provision is made for gains on disposal of assets that have been rolled over into replacement assets only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned.
- Deferred tax assets are recognised to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on the tax rates enacted at the balance sheet date.

(f) Debt issue costs

The debt issue costs incurred have been offset against the debt and will be charged to the profit and loss account at a constant rate on the carrying value of the debt.

2. Turnover

Turnover represents income, excluding VAT, from facilities management services.

3. Directors' remuneration

The remuneration of the directors is paid by the controlling parties and their services to this company are of a non-executive nature. Their remuneration is deemed to be wholly attributable to their services to the respective controlling parties.

4. Audit fees

The audit fees for the year ended 31 March 2003 were borne by a company within the Jarvis plc group with an appropriate amount being recharged to other parties.

5. Employee information

There were no persons employed by the company at any time during the year (2002: None).

Kenton School Services Limited

Notes to the financial statements (continued) for the year ended 31 March 2003

6. Interest receivable and similar income

	Year ended 31 March 2003 £'000	Year ended 31 March 2002 £'000
Income from finance receivable	975	-
Bank interest receivable	5	-
	<u>980</u>	<u>-</u>

7. Interest payable and similar charges

	Year ended 31 March 2003 £'000	Year ended 31 March 2002 £'000
Bank interest	826	-
Amortisation of loan issue costs	13	-
	<u>839</u>	<u>-</u>

8. Tax on profit on ordinary activities

	Year ended 31 March 2003 £'000	Year ended 31 March 2002 £'000
(a) Analysis of charge for the year		
<i>Current tax:</i>		
Current tax on income for the year	-	-
Total current tax (note 8(b))	<u>-</u>	<u>-</u>
<i>Deferred tax:</i>		
Timing differences	47	-
Tax on profit on ordinary activities	<u>47</u>	<u>-</u>

Kenton School Services Limited

Notes to the financial statements (continued) for the year ended 31 March 2003

(b) Factors affecting current tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30 %). The differences are explained below:

	Year ended 31 March 2003 £'000	Year ended 31 March 2002 £'000
Profit on ordinary activities before taxation	<u>141</u>	<u>-</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%)	42	-
<i>Effects of:</i>		
Expenses not deductible for tax purposes	5	-
Capital allowances in excess of depreciation	(5)	-
Other timing differences	(943)	-
Unutilised tax losses	901	-
Current tax charge for the year (note 8 (a))	<u>-</u>	<u>-</u>

9. Debtors: amounts falling due within one year

	31 March 2003 £'000	31 March 2002 £'000
Trade debtors	713	-
Prepayments and accrued income	208	-
VAT receivable	33	910
	<u>954</u>	<u>910</u>

10. Debtors: amounts falling due after more than one year

	31 March 2003 £'000	31 March 2002 £'000
Finance receivable	<u>21,086</u>	<u>28,173</u>

The finance receivable asset is stated net of a contribution from the Chair of Governors of Kenton School of £19,575,000 and includes net finance costs of £2,205,000 (2002: £1,246,044).

Kenton School Services Limited

Notes to the financial statements (continued) for the year ended 31 March 2003

11. Creditors: amounts falling due within one year

	31 March 2003 £'000	31 March 2002 £'000
Senior debt	333	19,720
Deferred income	307	-
Trade creditors	-	12
Other creditors and accruals	131	441
Amounts owed to joint venture partners and their subsidiary undertakings	743	2,543
	<u>1,514</u>	<u>22,716</u>

12. Creditors: amounts falling due after more than one year

	31 March 2003 £'000	31 March 2002 £'000
Senior debt	19,720	26,513
Equity bridge debt	1,738	550
Less: unamortised issue expenses	(419)	(413)
	<u>21,039</u>	<u>26,650</u>
Less: amounts falling due within one year	(333)	(19,720)
	<u>20,706</u>	<u>6,930</u>

Maturity of debt

In one year or less	333	19,720
In more than one year but less than two years	375	333
In more than two years but not more than five years	3,125	1,817
In more than five years	17,625	5,193
Less: unamortised issue costs	(419)	(413)
	<u>21,039</u>	<u>26,650</u>
Less: amounts falling due within one year	(333)	(19,720)
	<u>20,706</u>	<u>6,930</u>

Loan amounts drawn down to date of £41,178,000 (2002: £27,063,000) are part of total facilities advanced of £42,137,000.

The senior debt is repayable by September 2025 with principal repayments commencing on 30 August 2002. Interest has been fixed through the use of swap, at a rate of 6.65% per annum.

Kenton School Services Limited

Notes to the financial statements (continued) for the year ended 31 March 2003

12. Creditors: amounts falling due after more than one year

The equity bridge interest rate is fixed through the use of a swap, at a rate of 6.25% per annum. The equity bridge debt will be replaced by subordinated loan notes in favour of Barclays Infrastructure Limited and Jarvis plc on 31 August 2005. These loan notes will be subordinated to the right of payment of senior debt providers with an interest rate fixed at 12% per annum. The loan notes will be repaid over the 21 years following their issue.

The senior and equity bridge debt are secured by way of a first fixed charge over the finance receivable asset. Furthermore, the terms of the facility agreement provide that the lender will seek repayment of the finance, as to both principal and interest, only to the extent that sufficient funds are generated by the specific asset financed and it will not seek recourse to the company in any other form. The company is not obliged to support any losses, nor does it intend to do so.

13. Provision for liabilities and charges

	31 March 2003 £'000	31 March 2002 £'000
Deferred taxation	<u>47</u>	<u>-</u>

The movements in deferred taxation during the current and previous years are as follows:

At 1 April	-	-
Charge to the profit and loss account	<u>47</u>	<u>-</u>
At 31 March	<u>47</u>	<u>-</u>

The deferred tax liability consists of:
Accelerated capital allowances

	<u>47</u>	<u>-</u>
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14. Share capital

	31 March 2003 £'000	31 March 2002 £'000
Authorised		
109,150 A Ordinary shares of £1 each	109	109
109,150 B Ordinary shares of £1 each	<u>109</u>	<u>109</u>
	<u>218</u>	<u>218</u>
Allotted, called up and fully paid		
109,150 A Ordinary shares of £1 each	109	109
109,150 B Ordinary shares of £1 each	<u>109</u>	<u>109</u>
	<u>218</u>	<u>218</u>

A and B shares rank pari passu in all respects.

Kenton School Services Limited

Notes to the financial statements (continued) for the year ended 31 March 2003

15. Reconciliation of shareholders' funds and movement on reserves

	Share Capital	Profit and Loss Account	Total shareholders' funds
	£'000	£'000	£'000
At 1 April 2001	218	-	218
Result for the year	-	-	-
At 31 March 2002	218	-	218
Profit for the year	-	94	94
At 31 March 2003	218	94	312

16. Controlling parties

The company's immediate parent undertaking is Jarvis PFI Holdings Limited, a joint venture between Jarvis plc and Barclays Infrastructure Limited (acting in its capacity as general partner of the Barclays UK Infrastructure Fund).

There is no ultimate controlling party.

17. Related party transactions

The company incurred £12,046,000 (2002: £19,042,000) in respect of services provided by Jarvis plc and its subsidiary undertakings. An amount of £732,000 (2002: £2,537,000) remains outstanding at the balance sheet date to Jarvis plc and its subsidiary undertakings and is included within creditors falling due within one year.

The company has entered into loan agreements with Barclays Bank plc, the ultimate parent undertaking of Barclays Infrastructure Limited, the amounts and terms of which are disclosed in Note 12 and has incurred net finance charges as disclosed in Note 10.

The company incurred £36,000 (2002: £36,000) in respect of services provided by Barclays Bank plc and subsidiary undertakings. An amount of £11,000 (2002: £6,000) remains outstanding at the balance sheet date and is included within creditors falling due within one year.