

Registered No: 3808875

Kenton School Services Limited

Report and financial statements

for the year ended 31 March 2004



A28
COMPANIES HOUSE

AL08SQAUH

426
01/12/2005 M

Kenton School Services Limited
Report and financial statements
for the year ended 31 March 2004

	Pages
Directors and advisors	1
Directors' report	2 - 4
<i>Independent auditors' report</i>	5 - 6
Profit and loss account	7
Balance sheet	8
Notes to the financial statements	9 - 16

Kenton School Services Limited

Directors and advisors

Directors

A E Birch
W R Doughty
R S McClatchey
P McCulloch

Secretary

SMIF Secretariat Services Limited

Auditors

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

Registered office

Aylesbury House
17-18 Aylesbury Street
London
EC1R 0DB

Kenton School Services Limited

Directors' report

for the year ended 31 March 2004

The directors present their report and the audited financial statements for the year ended 31 March 2004.

Results, principal activities and review of the business

The company entered into a PFI contract in January 2001 with the governing body of The Jews Free School and the London Borough of Brent to design, build and finance the Jewish Free School in Brent and to provide related facilities management services for the 25 years concession term. 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.

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 (acting in its capacity as general partner of the Barclays UK Infrastructure Fund Limited Partnership).

With effect from 10 December 2003, Star Capital Partners Limited (acting in its capacity as general partner of STAR 1 UK Limited Partnership No.1) purchased a controlling interest in the Barclays UK Infrastructure Fund.

On 24 October 2003, the company restructured its financing arrangements to benefit from more attractive financing terms resulting from the successful completion of construction. Whilst the directors believe this will serve to improve the company's profitability in the future, the impact on the profit and loss account for the year was to create additional costs of £467,000.

This is the main contributing factor to the loss incurred by the company for the year of £563,000 (2003: Profit £94,000).

The surplus funds arising from the financial restructuring, net of legal, professional and advisory fees have been utilised as follows:

- (i) to settle an additional construction liability due to Jarvis Construction UK Limited which arises on the re-financing of senior debt;
- (ii) to settle a liability due to The Governing Body of JFS and The Mayor & Burgesses of the London Borough of Brent which arises on a re-financing of the project since the company has elected to adopt the code of practice issued by OGC in respect of the refinancing of such projects; and
- (iii) to recompense the subordinated debt providers for loss of interest and additional risk arising from the re-phasing of subordinated debt draw downs.

In line with the current contractual circumstances of the company, a financial model covering the periods up to September 2027 has been produced. From this model the directors are satisfied the company will generate positive cashflows and profits over the life of the contract.

Kenton School Services Limited

Directors' report

for the year ended 31 March 2004 (continued)

Events since the balance sheet date

On 8 April 2004, Jarvis plc disposed of their entire shareholding in Jarvis PFI Holdings Limited (the company's immediate parent undertaking) to PFI Investments Limited, a company beneficially owned and controlled by Secondary Market Infrastructure Fund UK LP, acting through its general partner SMIF UK Limited (collectively referred to as "SMIF").

On 2 March 2005, SMIF exercised a call option to purchase the legal ownership of PFI Investments (Holdings) Limited (PFI Investments Limited's immediate parent undertaking).

Dividend

The directors are unable to recommend the payment of a dividend.

Directors

The directors holding office during the year ended 31 March 2004 and subsequent to that date are shown below:

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; resigned 7 June 2004; re-appointed 7 June 2004, director; resigned 27 August 2004; re-appointed 8 November 2004)
W R Doughty	(appointed 26 August 2004)
R S McClatchey	
P McCulloch	(appointed 8 November 2004, as alternate director to A E Birch and W R Doughty)
P H Gardiner	(resigned 7 June 2004)
R N Johnson	(appointed 11 February 2004; resigned 15 June 2004)
P G Milner	(appointed 7 June 2004 alternate director to R N Johnson; resigned 15 June 2004)
A J Sutton	(resigned 11 February 2004)

Directors' interests

At 31 March 2004 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

for the year ended 31 March 2004 (continued)

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; and
- To prepare financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm the accounts comply with these requirements.

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



On behalf of SMIF Secretariat Services Limited
Secretary

11 NOV 2005

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 2004 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 2004 and of its loss 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

11 NOV 2005

Kenton School Services Limited
Profit and loss account
for the year ended 31 March 2004

	Notes	Year ended 31 March 2004 £'000	Year ended 31 March 2003 £'000
Turnover	2	1,319	702
Cost of sales		<u>(1,056)</u>	<u>(545)</u>
Gross profit		263	157
Operating expenses	4	<u>(263)</u>	<u>(157)</u>
Operating result		-	-
Interest receivable and similar income	6	1,291	980
Interest payable and similar charges	7	<u>(1,901)</u>	<u>(839)</u>
(Loss)/profit on ordinary activities before taxation		(610)	141
Tax credit/(charge) on (loss)/profit on ordinary activities	8	<u>47</u>	<u>(47)</u>
Retained (loss)/profit for the year		<u>(563)</u>	<u>94</u>

The results above reflects the continuing operations of the company.

The company has no recognised gains and losses other than the loss for the year ended 31 March 2004 and profit for the year ended 31 March 2003 and therefore no separate statement of total recognised gains and losses has been presented.


Kenton School Services Limited

Balance sheet as at 31 March 2004

	Notes	31 March 2004 £'000	31 March 2003 £'000
Current assets			
Debtors: amounts falling due within one year	9	1,015	954
Debtors: amounts falling due after more than one year	10	21,019	21,086
Cash at bank and in hand		1,253	539
		<u>23,287</u>	<u>22,579</u>
Creditors: amounts falling due within one year	11	(1,296)	(1,514)
Net current assets		<u>21,991</u>	<u>21,065</u>
Creditors: amounts falling due after more than one year	12	(22,242)	(20,706)
Provision for liabilities and charges	13	-	(47)
		<u>(251)</u>	<u>312</u>
Capital and reserves			
Share capital	14	218	218
Profit and loss account	15	(469)	94
Equity shareholders' funds		<u>(251)</u>	<u>312</u>

The financial statements were approved by the board on
and were signed on its behalf by:

11 November 2005



A E Birch
Director

Kenton School Services Limited

Notes to the financial statements

for the year ended 31 March 2004

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) Going Concern

The directors have reviewed the company's projected profits and cashflows by reference to a financial model covering accounting periods up to September 2027. Having examined the current status of the company's principal contracts and likely developments in the foreseeable future the directors consider that the company will be able to settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concern basis.

(c) Cash flow statement

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

(d) 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. The amortisation of the finance asset is calculated to write off the cost over the operational phase of the contract.

(e) 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 the related borrowings.

(f) 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 for the year ended 31 March 2004 (continued)

(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.

(g) Debt issue costs

Debt issue costs incurred have been offset against the related debt and will be charged to the profit and loss account at a constant rate on the carrying value of the debt. Issue costs related to loans repaid in the year as part of the re-financing transaction have been written off in full to the profit and loss account.

2. Turnover

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

3. Directors' remuneration

The remuneration of the directors was paid by the parties that controlled the company at the balance sheet date and their services to the 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 2004 and 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 (2003: None).

6. Interest receivable and similar income

	Year ended 31 March 2004 £'000	Year ended 31 March 2003 £'000
Income from finance receivable	1,289	975
Interest receivable on bank deposits	2	5
	<u>1,291</u>	<u>980</u>

Kenton School Services Limited

Notes to the financial statements

for the year ended 31 March 2004 (continued)

7. Interest payable and similar charges

	Year ended 31 March 2004 £'000	Year ended 31 March 2003 £'000
Interest payable on debt	1,468	826
Amortisation of loan issue costs	433	13
	<u>1,901</u>	<u>839</u>

8. Tax (credit)/charge on (loss)/profit on ordinary activities

	Year ended 31 March 2004 £'000	Year ended 31 March 2003 £'000
(a) Analysis of (credit)/charge for the year		
<i>Current tax:</i>		
Current tax on income for the year	-	-
Total current tax (credit)/charge (note 8(b))	-	-
<i>Deferred tax:</i>		
Timing differences	(47)	47
Tax (credit)/charge on (loss)/profit on ordinary activities	<u>(47)</u>	<u>47</u>

(b) Factors affecting current tax (credit)/charge

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

	Year ended 31 March 2004 £'000	Year ended 31 March 2003 £'000
(Loss)/profit on ordinary activities before taxation	<u>(610)</u>	<u>141</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%.	(183)	42
<i>Effects of:</i>		
Permanent differences	850	5
Movement in accelerated capital allowances	137	(5)
Other timing differences	(804)	(943)
Unutilised tax losses	-	901
Current tax (credit)/charge for the year (note 8(a))	<u>-</u>	<u>-</u>

Kenton School Services Limited

Notes to the financial statements

for the year ended 31 March 2004 (continued)

8. Tax (credit)/charge on (loss)/profit on ordinary activities (continued)

(c) Factors that may affect future tax charges

A deferred tax asset of £4,080,000 in respect of available tax losses has not been recognised at 31 March 2004. This is due to there being no persuasive and reliable evidence available at this time of suitable profits to offset these losses.

9. Debtors: amounts falling due within one year

	31 March 2004 £'000	31 March 2003 £'000
Trade debtors	287	713
Prepayments and accrued income	719	208
VAT receivable	9	33
	<u>1,015</u>	<u>954</u>

Prepayments and accrued income includes £276,000 paid to The Governing Body of JFS and The Mayor & Burgesses of the London Borough of Brent and £370,000 paid to Barclays Infrastructure Limited on the restructuring of financing arrangements.

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

	31 March 2004 £'000	31 March 2003 £'000
Finance receivable	<u>21,019</u>	<u>21,086</u>

The finance receivable asset is stated net of a contribution towards construction from the Chair of Governors of Kenton School of £19,575,000 and includes net finance costs capitalised up to the date of completion of £2,205,000 (2003: £2,205,000).

11. Creditors: amounts falling due within one year

	31 March 2004 £'000	31 March 2003 £'000
Senior debt	167	333
Deferred income	905	307
Other creditors and accruals	136	131
Amounts owed to joint venture partners and their subsidiary undertakings	88	743
	<u>1,296</u>	<u>1,514</u>

Kenton School Services Limited

Notes to the financial statements

for the year ended 31 March 2004 (continued)

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

	31 March 2004 £'000	31 March 2003 £'000
Senior debt	21,085	19,720
Equity bridge debt	1,738	1,738
Less: unamortised issue expenses	(414)	(419)
	<u>22,409</u>	<u>21,039</u>
Less: amounts falling due within one year	(167)	(333)
	<u>22,242</u>	<u>20,706</u>

Maturity of debt

In one year or less	167	333
In more than one year but less than two years	280	375
In more than two years but not more than five years	2,970	3,125
In more than five years	19,406	17,625
Less: unamortised issue expenses	(414)	(419)
	<u>22,409</u>	<u>21,039</u>
Less: amounts falling due within one year	(167)	(333)
	<u>22,242</u>	<u>20,706</u>

The senior debt consists of two tranches repayable in instalments by March 2026. Principal repayments commenced in January 2004. The interest rate on the first tranche is fixed at a rate of 6.65% per annum, while the interest rate on the second tranche is fixed at a rate of 6.13% per annum. At 31 March 2004, the amount outstanding on the first and second tranches were £19,389,000 and £1,696,000 respectively.

The equity bridge interest rate is fixed 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 on 3 September 2007. 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 20 years following their issue.

The senior and equity bridge loans are secured by way of a first fixed charge over the finance receivable asset. Furthermore, the terms of the senior debt 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 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 other than those incurred for reasons of timing or other short term factors.

Kenton School Services Limited

Notes to the financial statements for the year ended 31 March 2004 (continued)

13. Provision for liabilities and charges

	31 March 2004 £'000	31 March 2003 £'000
Deferred taxation	-	47

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

At 1 April	47	-
(Credit)/charge to the profit and loss account	(47)	47
At 31 March	-	47

The deferred tax liability consists of:
Accelerated capital allowances

-	47
---	----

14. Share capital

	31 March 2004 £'000	31 March 2003 £'000
Authorised		
109,150 A Ordinary shares of £1 each	-	109
109,150 B Ordinary shares of £1 each	-	109
218,300 ordinary shares of £1 each	218	-
	<u>218</u>	<u>218</u>
Allotted, called up and fully paid		
109,150 A Ordinary shares of £1 each	-	109
109,150 B Ordinary shares of £1 each	-	109
218,300 ordinary shares of £1 each	218	-
	<u>218</u>	<u>218</u>

A and B shares rank pari passu in all respects.

On 24 October 2003, A and B authorised and issued share capital was reclassified to a single class of ordinary shares.

15. Reconciliation of shareholders' funds and movement on reserves

	Share Capital £'000	Profit and Loss Account £'000	Total shareholders' funds £'000
At 1 April 2002	218	-	218
Profit for the year	-	94	94
At 31 March 2003	218	94	312
Loss for the year	-	(563)	(563)
At 31 March 2004	<u>218</u>	<u>(469)</u>	<u>(251)</u>

Kenton School Services Limited

Notes to the financial statements for the year ended 31 March 2004 (continued)

16. Related party transactions

During the year ended 31 March 2004, the company incurred costs of £1,226,000 (2003: £12,046,000) in respect of services provided by Jarvis plc and its subsidiary undertakings. An amount of £66,000 (2003: £732,000) 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 also paid £353,000 to Jarvis Construction UK Limited as a result of the restructuring of the company's financing arrangements. There was no amount outstanding at balance sheet date in relation to this.

The company has entered into loan agreements with Barclays Bank plc, a wholly owned subsidiary of Barclays plc, the amounts and terms of which are disclosed in Note 12 and has incurred net finance charges as disclosed in Note 7 and Note 10. Until December 2003, Barclays plc exercised joint control with Jarvis plc over Kenton School Services Limited. For this reason Barclays Bank plc and Kenton School Services Limited are considered to be related parties.

The company incurred costs of £37,000 (2003: £36,000) in respect of other services provided by Barclays Bank plc and subsidiary undertakings. An amount of £22,000 (2003: £11,000) remains outstanding at the balance sheet date and is included within creditors falling due within one year.

The company also paid £370,000 to Barclays Bank plc and its subsidiary undertakings as a result of the restructuring of the company's financing arrangements. There was no amount outstanding at balance sheet date in relation to this.

17. Ultimate parent undertaking and controlling party

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

With effect from 10 December 2003, Star Capital Partners Limited (acting in its capacity as general partner of STAR 1 UK Limited Partnership No.1) purchased a controlling interest in the Barclays UK Infrastructure Fund.

With effect from 8 April 2004, Jarvis plc disposed of their entire shareholding in Jarvis PFI Holdings Limited to PFI Investments Limited, a company beneficially owned and controlled by Secondary Market Infrastructure Fund UK LP, acting through its general partner SMIF UK Limited (collectively referred to as "SMIF").

On 2 March 2005, SMIF exercised a call option to purchase the legal ownership of PFI Investments (Holdings) Limited (PFI Investments Limited's immediate parent undertaking).

Kenton School Services Limited

Notes to the financial statements

for the year ended 31 March 2004 (continued)

17. Ultimate parent undertaking and controlling party (continued)

The largest and smallest group to consolidate these financial statements is Star Infrastructure Investments LLP. Copies of Star Infrastructure Investments LLP's consolidated financial statements may be obtained from Star Infrastructure Investments LLP, Aylesbury House, 17-18 Aylesbury Street, London, EC1R 0DB.

In the directors' opinion, the ultimate parent undertaking and controlling party is Starsmif Investments Luxembourg Sàrl, a company incorporated in Luxembourg.