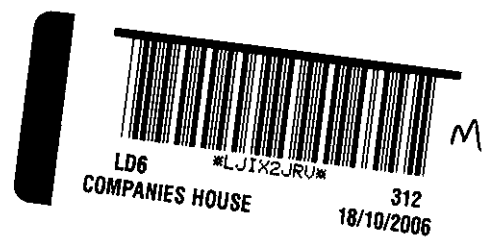


Kenton School Services Limited
Annual report and financial statements
for the year ended 31 December 2005

Registered number: 03808875



Kenton School Services Limited

Annual report and financial statements for the year ended 31 December 2005

	Page
Directors and advisors for the year ended 31 December 2005	1
Directors' report for the year ended 31 December 2005.....	2
Independent auditors' report to the members of Kenton School Services Limited	4
Profit and loss account and statement of total recognised gains and losses for the year ended 31 December 2005	5
Balance sheet as at 31 December 2005.....	6
Notes to the financial statements for the year ended 31 December 2005	7

Kenton School Services Limited

Directors and advisors for the year ended 31 December 2005

Directors

A E Birch
B W Dalglish
W R Doughty
P McCulloch
R H C Rees
B S Williams

Secretary

SMIF Secretariat Services Limited

Registered office

Aylesbury House
17-18 Aylesbury Street
London
EC1R 0DB

Auditors

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Court
Birmingham
B3 2DT

Kenton School Services Limited

Directors' report for the year ended 31 December 2005

The directors present their report and the audited financial statements for the year ended 31 December 2005.

Results, principal activities and review of 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.

The loss for the year attributable to shareholders which has been dealt with in the financial statements is £163,000 (9 months ended 31 December 2004: £26,000 profit).

Notwithstanding the loss for the period and the net liabilities position as at 31 December 2005, the directors consider that both the level of business and the period-end financial position were satisfactory.

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.

Dividends and transfers to reserves

No dividend is proposed (2004: £nil). The result for the financial period is set out in the profit and loss account on page 5.

The directors consider the performance of the company during the period, the financial position at the end of the year and its prospects for the future to be satisfactory.

Directors

The directors of the company during the year to 31 December 2005, and subsequently, are set out below:

A E Birch	
B W Dalglish	(appointed 22 December 2005)
W R Doughty	
P McCulloch	
R S McClatchey	(resigned 22 December 2005)
R H C Rees	(appointed 22 December 2005)
B S Williams	(appointed 22 December 2005)

Directors' interests in shares

There were no directors' interest recorded in the register kept in accordance with Section 325 of the Companies Act 1985. The directors have no interest in the shares of any other company in the group.

Employee involvement

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

Kenton School Services Limited

Directors' report for the year ended 31 December 2005 (continued)

.Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising in the year as explained under Note 1 'Accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2005 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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

During the year Ernst & Young resigned as auditors and PricewaterhouseCoopers LLP were appointed to fill the casual vacancy. Having passed elective resolutions of the shareholders at an extraordinary general meeting, the company is exempt from the obligation to annually reappoint auditors and to hold annual general meetings. Accordingly the board recommends that PricewaterhouseCoopers LLP continue in office as auditors to the company.

By order of the board



On behalf of SMIF Secretariat Services Limited
Secretary

4 OCTOBER 2006

Kenton School Services Limited

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

We have audited the financial statements of Kenton School Services Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments 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.

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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
6 October 2006

Kenton School Services Limited

Profit and loss account for the year ended 31 December 2005

Continuing operations	Notes	Year ended 31 December 2005	9 months ended 31 December 2004 (As restated)
		£'000	£'000
Turnover	1	1,289	978
Cost of sales		(1,081)	(819)
Gross profit		208	159
Operating expenses		(255)	(181)
Operating loss	2	(47)	(22)
Interest receivable and similar income	3	1,630	1,206
Interest payable and similar charges	4	(1,893)	(1,134)
(Loss)/profit on ordinary activities before taxation		(310)	50
Tax credit / (charge) on loss / profit on ordinary activities	5	147	(24)
(Loss)/profit for the year/period		(163)	26

The company has been engaged solely in continuing activities in a single class of business within the United Kingdom.

There is no difference between the (loss)/profit as shown in the profit and loss account and its historical cost equivalent. The movements on reserves are shown in note 12 to the financial statements.

Statement of total recognised gains and losses for the year ended 31 December 2005

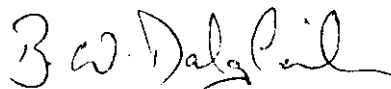
	Year 31 December 2005	9 months Ended 31 December 2004 (As restated)
	£'000	£'000
(Loss)/profit for the year/period	(163)	26
Prior year adjustment (note 1)	451	
Total gains and losses recognised since last annual report	288	

Kenton School Services Limited

Balance sheet as at 31 December 2005

	Notes	31 December 2005 £'000	31 December 2004 (As restated) £'000
Current assets			
Debtors: amounts falling due within one year	6	1,614	920
Debtors: amounts falling due after more than one year	7	20,845	21,676
Cash at bank and in hand		2,613	1,660
		25,072	24,256
Creditors: amounts due falling within one year	8	(1,514)	(731)
Net current assets		23,558	23,525
Creditors: amounts falling due after more than one year	9	(23,649)	(23,453)
Provision for liabilities and charges	10	-	-
		(91)	72
Capital and reserves			
Share capital	11	218	218
Profit and loss account	12	(309)	(146)
Equity shareholder's funds	12	(91)	72

The financial statements on pages 5 to 15 were approved by the board on 04 OCT 2006 and were signed on its behalf by :



Director

Kenton School Services Limited

Notes to the financial statements for the year ended 31 December 2005

1 Principal accounting policies

A summary of the company's principal accounting policies is set out below:

Basis of preparation of accounts

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

Turnover

Turnover represents the value of work done and services rendered, excluding sales related taxes. All turnover originates in the United Kingdom.

The company recognises income when it has fully fulfilled its contractual obligations. In accordance with Financial Reporting Standard 5 – application note G, the company includes sales and purchase transactions related to variations under the original contract where the benefits and risks are retained by the company, within the financial statements as turnover and operating costs.

Transactions to which the company does not have access to all the significant benefits and risks are excluded from the financial statements.

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.

Change in accounting treatment

Following a harmonisation review of the accounting treatment of the finance debtor across a range of projects owned by the ultimate parent company, the methodology of amortisation of the finance debtor was changed to that considered the most appropriate by the directors in these accounts. Given the significance of the adjustment to date in relation to the results for the period, this change has been disclosed as a prior year adjustment within these accounts.

The effect of the change is to increase interest income in the year to 31 December 2005 by £660,000 (9 months ended 31 December 2004: £200,000), to increase turnover by £114,000 (9 months ended 31 December 2004: reduce by £22,000), to increase the tax charge by £nil (9 months ended 31 December 2004: £24,000) and to increase the finance debtor balance by £774,000 (2004: £178,000). The increase in profit for the year to 31 December 2005 is £774,000 (9 months ended 31 December 2004: £154,000). The effect on prior year reserves as at 31 December 2004 is £297,000.

Kenton School Services Limited

Notes to the financial statements for the year ended 31 December 2005 (continued)

1 Principal accounting policies (continued)

Financial asset – contract debtor

In accordance with Financial Reporting Standard (FRS) 5 Application Note F the costs incurred in building the asset have been treated as a finance debtor. This treatment arose from applying the guidance within the Application Note which indicated that the project's principal agreements transfer substantially all the risks and rewards relating to the property to the customer.

The contract receivable represents the costs arising on the construction of the asset including initial tender costs and borrowing costs. Once the project reached its operational phase and was accepted by the Authority the contract receivable was reclassified as a finance debtor, with a constant proportion of the planned net revenue arising from the project being allocated to remunerate the finance debtor. Imputed interest receivable is allocated to the finance debtor using a property specific rate to generate a constant rate of return over the life of the contract. Over the course of the contract term the finance debtor is expected to be fully repaid.

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.

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.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax assets are only recognised when it is considered more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Cash flow statement

Under Financial Reporting Standard 1 (revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that Star Infrastructure Investments LLP, an intermediate parent undertaking, includes the company's cash flows in its own published consolidated cash flow statement.

2 Operating loss

The company had no employees during the year (2004: none). The remuneration of the directors is paid by the controlling parties and their services to the company are of a non-executive nature. The controlling parties charged £ 34,000 (9 months ended 31 December 2005: £24,000) to the company in respect of these services.

The audit fee in respect of the company was £5,000 for the year (2004: £10,000).

Kenton School Services Limited

Notes to the financial statements for the year ended 31 December 2005 (continued)

3 Interest receivable and similar income

	Year ended 31 December 2005 £'000	9 months ended 31 December 2004 £'000
Imputed interest receivable on finance debtor	1,555	1,176
Interest receivable on bank deposits	75	30
	1,630	1,206

4 Interest payable and similar charges

	Year ended 31 December 2005 £'000	9 months ended 31 December 2004 £'000
Interest payable on debt	1,495	1,113
Amortisation of loan issue costs	28	21
Write off of loan fees previously treated as a prepayment	370	-
	1,893	1,134

5 Tax on loss on ordinary activities

(a) Analysis of charge for the year/period

	Year ended 31 December 2005 £'000	9 months ended 31 December 2004 £'000
Current tax:	-	-
Deferred tax:		
Origination and reversal of timing differences	(147)	24
Total tax (credit) / charge on loss on ordinary activities	(147)	24

Kenton School Services Limited

Notes to the financial statements for the year ended 31 December 2005 (continued)

5 Tax charge on loss on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed for the year is higher (2004: higher) than the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are explained below:

	Year ended 31 December 2005 £'000	9 months ended 31 December 2004 £'000
Profit/(Loss) on ordinary activities before taxation	(310)	50
Profit/(Loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004: 30%)	(93)	15
<i>Effects of:</i>		
Disallowables	63	2
Capital allowances	(22)	61
Timing differences	(17)	(15)
Utilised tax losses	(27)	(25)
Prior year adjustments	96	(38)
Current tax charge for the year/period	-	-

The 2006 Finance Act changes may affect the 2006 tax charges.

6 Debtors: amounts falling due within one year

	31 December 2005 £'000	31 December 2004 (As restated) £'000
Trade debtors	1,090	645
Finance debtor	246	-
Prepayments and accrued income	1	145
Deferred tax asset (note 10)	277	130
	1,614	920

Kenton School Services Limited

Notes to the financial statements for the year ended 31 December 2005 (continued)

7 Debtors: amounts falling due after more than one year

	31 December 2005	31 December 2004
		(As restated)
	£'000	£'000
Finance debtor	20,845	21,302
Prepayments	-	374
	20,845	21,676

The finance debtor 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 (2004: £2,205,000).

8 Creditors: amounts falling due within one year

	31 December 2005	31 December 2004
	£'000	£'000
Senior debt	339	240
Trade creditors	725	-
Amounts due to related parties	1	-
Other creditors and accruals	378	379
VAT payable	71	112
	1,514	731

Kenton School Services Limited

Notes to the financial statements for the year ended 31 December 2005 (continued)

9 Creditors: amounts falling due after more than one year

(a) Total

	31 December 2005	31 December 2004 (As restated)
	£'000	£'000
Debt (as analysed below)	21,767	22,078
Deferred income	1,882	1,375
	23,649	23,453

(b) Debt

	31 December 2005	31 December 2004
	£'000	£'000
Senior debt	20,733	20,973
Equity bridge debt	1,738	1,738
	22,471	22,711
Less: included in creditors falling due within one year	(339)	(240)
Less: unamortised issue costs	(365)	(393)
	21,767	22,078

Kenton School Services Limited

Notes to the financial statements for the year ended 31 December 2005 (continued)

9 Creditors: amounts falling due after more than one year (continued)

	31 December 2005	31 December 2004
	£'000	£'000
Maturity of debt		
In one year or less	339	240
In more than one year but less than two years	390	367
In more than two years but not more than five years	3,111	3,067
In more than five years	18,266	19,037
	22,106	22,711
Less: creditors falling due within one year	(339)	(240)
Less: unamortised issue costs	-	(393)
	21,767	22,078

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 December 2005, the amount outstanding on the first and second tranches were £16,966,000 (31 December 2004: £19,110,000) and £3,766,000 (31 December 2004: £1,863,000) respectively.

The equity bridge debt interest rate is fixed at a rate of 6.25% per annum. The equity bridge debt will be replaced by subordinated loan notes 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.

Kenton School Services Limited

Notes to the financial statements for the year ended 31 December 2005 (continued)

10 Provision for liabilities and charges

	31 December 2005	31 December 2004
	£'000	£'000
Deferred taxation (asset)	(277)	(130)
The movements in deferred taxation during the current and previous years are as follows:		
At 1 January 2005	(130)	(154)
(Credit) / charge to the profit and loss account	(147)	24
At 31 December 2005	(277)	(130)
The deferred tax asset consists of:		
Accelerated capital allowances	(132)	(154)
Other timing differences	(40)	142
Tax losses recognised	(105)	(118)
	(277)	(130)

11 Called up share capital

	31 December 2005	31 December 2004
	£'000	£'000
Authorised		
218,300 Ordinary shares of £1 each	218	218
Allotted, called up and fully paid		
218,300 Ordinary shares of £1 each	218	218

Kenton School Services Limited

Notes to the financial statements for the year ended 31 December 2005 (continued)

12 Reconciliation of shareholders' funds and movement on reserves

	Share capital	Profit & loss account	Total shareholder's funds
	£'000	£'000	£'000
At 1 April 2004 (as previously stated)	218	(469)	(251)
Prior year adjustment	-	297	297
At 1 April 2004 (as restated)	218	(172)	46
Loss for the period (as previously stated)	-	(128)	(128)
Prior year adjustment	-	154	154
Profit for the period (as restated)	-	26	26
At 31 December 2004 (as restated)	218	(146)	72
Loss for the year	-	(163)	(163)
At 31 December 2005	218	(309)	(91)

13 Related party transactions

During the year ended 31 December 2005 the company incurred costs of £40,000 (period ended 31 December 2004: £nil) in respect of services provided by SMIF Asset Management Limited. An amount of £1,000 (31 December 2004: £nil) remains outstanding at the balance sheet date and is included within creditors falling due within one year.

14 Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Jarvis PFI Holdings Limited.

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, Second Floor, 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.