

Kenton School Services Limited

Annual report and financial statements

for the year ended 31 March 2012

Registration number: 03808875



Kenton School Services Limited

Annual report and financial statements for the year ended 31 March 2012

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Kenton School Services Limited

Directors and advisors

Directors

A E Birch
D R Hardingham

Company secretary

Semperian Secretariat Services Limited

Registered office

St Martins House
1 Gresham Street
London
EC2V 7BX

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Kenton School Services Limited

Directors' report for the year ended 31 March 2012

Registration number: 03808875

The directors present their annual report and the audited financial statements for the year ended 31 March 2012

Results, principal activities and review of business

The company entered into a contract under the Private Finance Initiative ('PFI') in January 2001 with the governing body of JFS School and the London Borough of Brent to design, build and finance 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 is £300,000 (year ended 31 March 2011 profit of £264,000). Following the change in Facilities Management provider in 2011, which resulted in exceptional items being recognised in the year ended 31 March 2011 (see note 2 for further details), the company's operations have stabilised during 2012 and the directors consider the performance of the company during the year, the financial position at the end of the year and its prospects for the future to be satisfactory, considering unexpected latent defect costs.

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

No dividend has been paid during the year (year ended 31 March 2011 £nil).

Principal risks and uncertainties

The company has taken on the activity, as detailed above, and is risk averse in its trading relationships with its customer, funders and sub-contractors as determined by the terms of their respective detailed PFI contracts. In extreme circumstances, the company could be exposed to subcontractor failure to perform their obligations. The financial risks and the measures taken to mitigate them are as detailed in the following section.

Financial risk management

The company has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the company's performance. The board has policies for managing each of these risks and they are summarised below.

Interest rate risk

The senior debt interest has been fixed through the use of interest rate swaps, plus a margin, while the subordinated debt interest is at a fixed rate. Details of these can be found on page 12.

Inflation risk

The company has chosen to manage its exposure to inflation risk through the use of an RPI swap. Details can be found on page 8.

Liquidity risk

The company adopts a prudent approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet its obligations as they fall due.

Credit risk

The company receives the bulk of its revenue from JFS School and London Borough of Brent and is not exposed to significant credit risk. Cash investments are with institutions of a suitable credit quality.

Major maintenance replacement risk

The company takes the risk that its projections for ongoing major maintenance replacement of the building and relevant equipment are adequate. These projections have been agreed with third parties and are subject to regular review by the directors.

Key performance indicators ('KPIs')

The company's operations are managed under the supervision of its shareholders and funders and are largely determined by the detailed terms of the PFI contract which stipulates key performance criteria on operational activities. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the performance or position of the business.

Kenton School Services Limited

Directors' report for the year ended 31 March 2012 (continued)

Directors

The directors of the company during the year, and up to the date of signing the financial statements, are set out below

A E Birch

D R Hardingham (appointed 30 December 2011)

R J Manley (resigned 3 January 2012)

Directors' responsibilities statement

The directors are responsible for preparing 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 the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- 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 the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

In the case of each director in office at the date the directors' report is approved, so far as the director is aware, there is no relevant audit information of which PricewaterhouseCoopers LLP ('PwC') are unaware, and the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information, and to establish that PwC are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, have signified their willingness to continue in office.

By order of the board



On behalf of Semperian Secretariat Services Limited
Company secretary

KIM CLEAR

21 JUNE 2012

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 March 2012 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 March 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.



Paul Nott (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
25 June 2012

Kenton School Services Limited

Profit and loss account for the year ended 31 March 2012

	Notes	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Turnover	1	5,406	2,869
Cost of sales (including exceptional items see note 2)		(5,624)	(2,291)
Gross (loss)/profit		(218)	578
Administrative expenses		(259)	(222)
Operating (loss)/profit	2	(477)	356
Interest receivable and similar income	3	1,481	1,450
Interest payable and similar charges	4	(1,414)	(1,465)
(Loss)/profit on ordinary activities before taxation		(410)	341
Tax on profit/loss on ordinary activities	5	110	(77)
(Loss)/profit for the year	12	(300)	264

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 for the period on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalent.

The company has no recognised gains and losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented

The movements on reserves are shown in note 12 to the financial statements

Kenton School Services Limited

Balance sheet as at 31 March 2012

	Notes	31 March 2012 £'000	31 March 2011 £'000
Current assets			
Debtors amounts falling due within one year	6	1,677	1,134
Debtors amounts falling due after more than one year	7	18,525	19,597
Cash at bank and in hand		4,124	6,915
		24,326	27,646
Creditors: amounts due falling within one year	8	(3,857)	(4,272)
Net current assets		20,469	23,374
Creditors: amounts falling due after more than one year	9	(20,361)	(22,804)
Provisions for liabilities and charges	10	(86)	(248)
Net assets		22	322
Capital and reserves			
Called up share capital	11	218	218
Profit and loss reserve	12	(196)	104
Total shareholder's funds	12	22	322

The financial statements on pages 5 to 14 were approved by the board on 21 JUNE 2012 and were signed on its behalf by



Director

ALAN BIRCH

Kenton School Services Limited

Notes to the financial statements for the year ended 31 March 2012

1 Principal accounting policies

A summary of the company's principal accounting policies, which have been consistently applied, is set out below

Basis of preparation of accounts

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting and financial reporting standards in the United Kingdom

Going concern

The directors have reviewed the company's projected profits and cash flows 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

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 'Reporting the substance of transactions' – 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.

Finance debtor and interest receivable

In accordance with Financial Reporting Standard (FRS) 5 'Reporting the substance of transactions' – Application Note F, the costs incurred in constructing the assets 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 finance debtor represents the costs arising on the construction of the assets including initial tender costs. During asset construction, finance debtor interest income is recognised on an accruals basis and is capitalised within the finance debtor receivable. Once the project reached its operational phase and was accepted by the customer a constant proportion of the planned net revenue arising from the project was 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. Interest rate swaps are valued using market value for disclosure purposes

RPI swaps

RPI swaps are used to hedge the company's exposure to movements on the rate of inflation. Amounts payable and receivable on such swaps are included in turnover. RPI swaps are valued using market value, for disclosure purposes

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

Major maintenance replacement

As noted in the directors' report, the company is responsible for the major maintenance replacement activity associated with its principal activity. Where appropriate, income is deferred to future periods, based on a forecast of the future major maintenance expenditure, in order to match that element of income with the costs to which it relates. The turnover and costs of sales are recorded, in the profit and loss account, in the period in which the costs of major maintenance replacement are incurred

Kenton School Services Limited

Notes to the financial statements for the year ended 31 March 2012 (continued)

1 Principal accounting policies (continued)

Cash flow statement

Under Financial Reporting Standard 1 (revised 1996) 'cash flow statements' the company is exempt from the requirement to prepare a cash flow statement on the grounds that the company's ultimate parent undertaking, Semperian PPP Investment Partners Holdings Limited, prepares a consolidated cash flow statement, in which the company's cash flows are included

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

2 Operating profit

Cost of sales, for the year ended 31 March 2012, includes an exceptional credit of £41,000 (2011 £128,000) in respect of the profit made on the settlement of the net liabilities owed to JAS at the date of administration

The company had no employees, other than the directors, during the year (year ended 31 March 2011 none) The emoluments of the directors are paid by the controlling parties The directors services to this company and to a number of fellow group companies are primarily of a non executive nature The controlling parties charged £40,999 (year ended 31 March 2011 £38,844) to the company in respect of these services The audit fee in respect of the company was £7,000 for the year (year ended 31 March 2011: £7,000)

The company has an RPI swap which converts the variable rate linked to RPI to a fixed rate of 2.6%. The fair value of this class of derivative financial instruments at 31 March 2012 is an asset of £1,527,744 (31 March 2011 an asset of £1,582,169)

3 Interest receivable and similar income

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Imputed interest receivable on finance debtor	1,424	1,437
Interest receivable on bank deposits	57	13
	1,481	1,450

4 Interest payable and similar charges

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Interest payable on senior debt	1,191	1,229
Interest payable on subordinated debt	199	211
Amortisation of loan issue costs	24	25
	1,414	1,465

Kenton School Services Limited

Notes to the financial statements for the year ended 31 March 2012 (continued)

5 Tax charge on (loss)/profit ordinary activities

(a) Analysis of tax for the year

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Current tax:	-	-
Adjustment in respect of prior periods	52	-
	52	-
Deferred tax: (note 10)		
Origination and reversal of timing differences	(107)	96
Prior period adjustment	(48)	-
Impact of 24% tax rate adjustment arising from Parliament resolution	(7)	(19)
	(162)	77
Tax (credit)/charge on profit on ordinary activities	(110)	77

(b) Factors affecting current tax

The tax assessed for the year is higher (year ended 31 March 2011 lower) than the standard rate of corporation tax in the UK of 26% (year ended 31 March 2011 28%). The differences are explained below

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
(Loss)/Profit on ordinary activities before taxation	(410)	341
(Loss)/Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26% (year ended 31 March 2011 28%)	(106)	95
<i>Effects of</i>		
Other timing differences	-	(5)
Movement in unutilised tax losses	417	284
Prior period adjustment	52	-
Capital allowances	(311)	(374)
Current tax charge for the year	52	-

Kenton School Services Limited

Notes to the financial statements for the year ended 31 March 2012 (continued)

5 Tax on profit on ordinary activities (continued)

(c) Factors that may affect future tax charges

The current tax charge will continue to be affected by timing differences, although these timing differences will have an opposite impact on the deferred tax charge so there should be no overall impact on the tax charge

Finance Act 2011, which received Royal Assent on 19 July 2011, included legislation to reduce the main rate of corporation tax from 26% to 25%, effective from 1 April 2012

Further reductions to the main rate of corporation tax were also announced in the March 2012 Budget. A resolution passed by Parliament on 26 March 2012 reduced the main rate of corporation tax to 24% from 1 April 2012. This reduction replaces the decrease to 25% previously enacted in Finance Act 2011. Proposed further reductions to 23% and 22% are expected to be included in Finance Bill 2012 and Finance Bill 2013, respectively. These changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements. The effect of the proposed further reductions to the main rate of corporation tax would be to further reduce the deferred tax liability by £7,150.

6 Debtors: amounts falling due within one year

	31 March 2012 £'000	31 March 2011 £'000
Trade debtors	540	404
Finance debtor	583	530
Prepayments and accrued income	64	200
Amounts due from parent undertaking	490	-
	1,677	1,134

7 Debtors: amounts falling due after more than one year

	31 March 2012 £'000	31 March 2011 £'000
Finance debtor	18,525	19,107
Group relief receivable	-	490
	18,525	19,597

Kenton School Services Limited

Notes to the financial statements for the year ended 31 March 2012 (continued)

8 Creditors: amounts falling due within one year

	31 March 2012 £'000	31 March 2011 £'000
Senior debt	605	605
Subordinated debt	2,022	34
Trade creditors	364	58
Accruals and deferred income	772	3,482
Group relief payable	52	-
VAT payable	42	93
	3,857	4,272

9 Creditors: amounts falling due after more than one year

(a) Total

	31 March 2012 £'000	31 March 2011 £'000
Debt (as analysed below)	19,010	21,614
Deferred income	1,351	1,190
	20,361	22,804

(b) Debt

	31 March 2012 £'000	31 March 2011 £'000
Senior debt	17,711	18,340
Subordinated debt	4,125	4,136
	21,836	22,476
Less included in creditors falling due within one year	(2,627)	(639)
Less unamortised issue costs	(199)	(223)
	19,010	21,614

Kenton School Services Limited

Notes to the financial statements for the year ended 31 March 2012 (continued)

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

	31 March 2012	31 March 2011
	£'000	£'000
Maturity of debt		
In one year or less	2,651	663
In more than one year but less than two years	783	638
In more than two years but not more than five years	2,885	2,690
In more than five years	15,517	18,485
	21,836	22,476
Less creditors falling due within one year	(2,627)	(639)
Less unamortised issue costs	(199)	(223)
	19,010	21,614

The senior debt consists of two tranches repayable, in instalments, by March 2026. Principal repayments commenced in January 2006. At 31 March 2012, the amounts outstanding on the first and second tranches were £15,126,000 (31 March 2011: £15,854,000) and £2,584,000 (31 March 2011: £2,485,000) respectively.

The interest rates, on the first and second tranches, are fixed through the use of swaps at 6.65% and 6.13% per annum. The fair value of this class of derivative financial instruments at 31 March 2012 is (£4,852,000) (31 March 2011: £(3,136,000)).

Of the loan notes, provided by the immediate parent undertaking, XJ6 Schools Holdings Limited, which are subordinated to the right of payment of senior debt providers and are unsecured, £1,595,000 (2011: £1,606,000) have an interest rate fixed at 12% per annum, whilst the remainder £2,530,000 (2011: £2,530,000) are zero coupon. The final repayment date of the loan notes is 3 September 2027.

The senior loan is secured by way of a first fixed charge over the company's interest in the finance receivable asset.

Kenton School Services Limited

Notes to the financial statements for the year ended 31 March 2012 (continued)

10 Provisions for liabilities and charges

Deferred tax	31 March 2012	31 March 2011
	£'000	£'000
Deferred taxation liability	86	248
The movements in deferred taxation during the year and previous period are as follows		
At 1 April	248	171
(Credit)/charge to the profit and loss account (note 5 (a))	(162)	77
At 31 March	86	248
The deferred tax liability consists of		
Accelerated capital allowances	1,466	1,618
Other timing differences	960	1,039
Tax losses recognised	(2,340)	(2,409)
	86	248

11 Called up share capital

	31 March 2012	31 March 2011
	£'000	£'000
Allotted 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 March 2012 (continued)

12 Reconciliation of movements in total shareholder's funds and in reserves

	Share capital	Profit and loss reserve	Total shareholder's funds
	£'000	£'000	£'000
At 1 April 2010	218	(160)	58
Profit for the year	-	264	264
At 1 April 2011	218	104	322
Loss for the year	-	(300)	(300)
At 31 March 2012	218	(196)	22

13 Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is XJ6 Schools Holdings Limited which is registered in England and Wales. The ultimate parent undertaking and controlling party is Semperian PPP Investment Partners Holdings Limited which is registered in Jersey. The smallest group and largest group to consolidate these financial statements is Semperian PPP Investment Partners Holdings Limited.

Consolidated financial statements for Semperian PPP Investment Partners Holdings Limited can be obtained from the Company Secretary at St Martins' House, 1 Gresham Street, London, EC2V 7BX.

14 Related parties

As the wholly owned subsidiary of Semperian PPP Investment Partners Holding Limited, the company has taken advantage of the exemption under Financial Reporting Standard No 8 – 'Related Party Disclosures' of the requirement to disclose transactions between it and other wholly owned group companies.