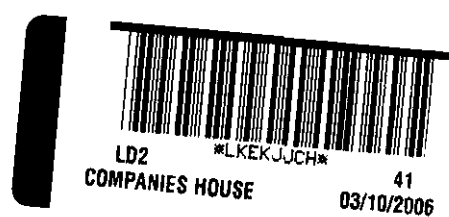


ACADEMY SERVICES (WALTHAM FOREST) LIMITED

Registered Number 4954268

Directors' Report and Financial Statements

For the year ended 30 June 2006



ACADEMY SERVICES (WALTHAM FOREST) LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2006.

1 Principal activities and business review

The principal activity of the Company is the design, construction, refurbishment, financing and maintenance of seven schools in the Waltham Forest area in accordance with the terms of an agreement with Waltham Forest Borough Council. That agreement together with a loan facilities agreement, a construction contract, a facilities management contract and other related contracts were signed on 15 March 2004. The concession period runs for a period of 32 years from this date.

2 Principal Risks and Uncertainties

London Borough of Waltham Forest is the company's sole client. However, the directors consider that no significant risk arises from such a client base as the council is legally bound to the obligation for the project term

Performance risk under the Project Agreement has been passed down to the company's service provider and building contractor. The obligations of these parties are underwritten by parent company guarantees.

The company has an obligation to maintain the school over the life of its concession to a specified standard. The obligation has been passed down to the company's service provider.

3 Performance deductions under the Concession Agreement

Financial penalties are levied by London Borough of Waltham Forest in the event of the Company failing to make areas of the schools available for its use (availability deductions) and in the event of service performance not being achieved according to detailed criteria set out in the Concession Agreement (performance deductions). Any such deductions are passed down to the service provider but their quantum is an indication of the level of performance achieved. In the year to 30 June 2006, total deductions amounted to £53,533 (30 June 2005 £nil) representing 0.004% (30 June 2005, nil%) of revenue receivable from the London Borough of Waltham Forest.

4 Financial Performance

The Company has modelled the anticipated financial performance of its concession across its full term. The Company monitors its actual performance against the anticipated performance. At 30 June 2006, the Company's performance against this measure was satisfactory.

5 Results and dividends

	2006	2005
	£	£
The (loss)/profit for the year after taxation dealt with in the financial statement:	(4,331)	-

The directors do not recommend the payment of a dividend.

6 Directors

The directors of the Company who served during the year were as follows:

J A N Tibbitts

I W Wales

J A J Byrne (Resigned 10th July 2005)

C A Galeon (Resigned 15th July 2005)

R D Hoile (Appointed 23rd August 2005, Resigned 7th July 2006)

P Whiscombe (Appointed 10th July 2005)

C Bassindale (Appointed 7th July 2006)

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

DIRECTORS' REPORT (continued)

7 Directors' interests

There were no directors' interests recorded in the register kept in accordance with the provisions of section 325 of the Companies Act 1985.

8 Directors' responsibilities

The directors are responsible for preparing the Director's 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 the law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for the period.

In preparing these financial statements, the directors are required to:

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

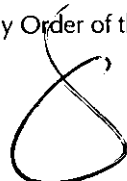
The directors are also responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

9 Auditor

As far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware and each of us has taken all the steps that he/she ought to have taken in order to make him/herself aware of any relevant audit information and to establish that the Company's auditor is aware of such information.

A resolution to re-appointment of KPMG Audit PLC as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board



PRP George
Company Secretary

Tempsford Hall
Sandy
Bedfordshire
SG19 2BD

18 September 2006

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
ACADEMY SERVICES (WALTHAM FOREST) LIMITED**

We have audited the financial statements of Academy Services (Waltham Forest) Ltd for the year ended 30th June 2006 which comprise the Profit & Loss Account, the Balance Sheet, Cash flow statement and the related notes. These financial statements have been prepared under 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Accounting (UK and Ireland).

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 whether in our opinion the information given in the Directors' report is consistent with the financial statements. We also report to you if, in our opinion, 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 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.

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 UK Generally Accepted Accounting Policies, of the state of affairs as at 30 June 2006 and of its loss for the year then ended;
- and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants & Registered Auditor
8 Salisbury Square
London
EC4Y 8BB

Date *18/9/06*

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 30 June 2006

	<u>Note</u>	<u>2006 £000</u>	<u>2005 £000</u>
Turnover	2	11,061	44,692
Other operating charges		(7,813)	(42,996)
		<hr/>	<hr/>
Operating Profit	3	3,248	1,696
Net Interest Payable	4	(3,248)	(1,696)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		-	-
Taxation	6	(4)	-
		<hr/>	<hr/>
(Loss) / Profit for the financial period		<hr/> (4) <hr/>	<hr/> - <hr/>

A statement of movement in shareholders' funds is shown in note 12 in the financial statements.

There is no difference between the historical cost result and the result stated above. The result reported above relates to continuing activities.

There are no recognised gains or losses other than the result for the period.

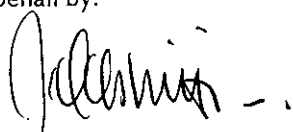
The notes on pages 8 to 14 form part of these Financial Statements

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

BALANCE SHEET At 30 June 2006

	Note	2006 £000	2005 £000
Current Assets			
Debtors: Amounts falling due within one year	7	2,620	1,094
Debtors: Amounts falling due after one year	8	54,347	44,692
		56,967	45,786
Cash at bank and in hand		216	56
		57,183	45,842
Current Liabilities			
Creditors: Amounts falling due within one year	9	(8,592)	(2,799)
Total assets less current liabilities		48,591	43,043
Creditors: Amounts falling due after more than one year	10	(48,595)	(43,043)
Provision for liabilities and charges		-	-
Net assets		(4)	-
Capital and reserves			
Called up share capital	11	-	-
Profit and loss account	13	(4)	-
Equity shareholders' funds		(4)	-

The financial statements were approved by the board on 18th September 2006 and were signed on its behalf by:



JAN Tibbitts
Director

The notes on pages 8 to 14 form part of these financial statements.

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

CASH FLOW STATEMENT

At 30 June 2006

	<u>Note</u>	<u>2006 £000</u>	<u>2005 £000</u>
Net cash outflow from operating activities	16	(9,539)	(41,879)
Returns on investments and servicing of finance			
Interest received		15	7
Interest paid		<u>(3,243)</u>	<u>(1,703)</u>
Net cash outflow from returns on investments and servicing of finance		(3,228)	(1,696)
Contract Receivable		<u>-</u>	<u>-</u>
Net cash outflow before financing		(12,767)	(43,575)
Financing			
Income in borrowing from term loan		<u>12,927</u>	<u>43,631</u>
Total financing		<u>12,927</u>	<u>43,631</u>
Increase in cash		<u>160</u>	<u>56</u>
Reconciliation of net cash flow to movement in net debt			
Increase in cash		160	56
Increase in cash from addition of term loan		<u>(12,927)</u>	<u>(43,631)</u>
Change in net debt	17	(12,767)	(43,575)
Net debt at 1 July	17	<u>(43,575)</u>	<u>-</u>
Net debt at 30 June	17	<u>(56,342)</u>	<u>(43,575)</u>

ACADEMY SERVICES (WALTHAM FOREST) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1 Principal accounting policies

The accounting policies adopted are disclosed below.

Basis of preparation

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

Finance Debtor

Costs incurred in the construction of the schools have been accounted for under Financial Reporting Standard 5, "Reporting the Substance of Transactions". Costs comprise direct payments to the contractor, attributable initial project costs and interest costs incurred over the construction period on borrowings to fund construction.

The finance debtor is repaid over the life of the concession, and revenue is apportioned between a deemed interest charge and turnover. This deemed interest charge is based upon the value of the financial debt outstanding and is included within interest receivable.

Deferred Taxation

In accordance with FRS19 'Deferred tax', deferred taxation is provided fully and on a non discounted basis at expected future corporation tax rates in respect of timing differences between profits computed for taxation and financial statements purposes.

2 Turnover

A margin is applied to costs charged to the profit and loss account to calculate the turnover credited to the profit and loss account. This margin is calculated as total income receivable over the concession, less all service costs and other operating costs payable over the concession.

The Company's sole business activity is that described in the Directors' Report, and accordingly all turnover is derived in the UK.

3 Operating Profit

The following costs were incurred during the period:

Auditors' remuneration:
Other services

	2006	2005
	£ 000	£ 000
	9	-
	-	-
	<u> </u>	<u> </u>

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2006 £000	2005 £000
4 Net interest payable		
Interest payable on long term loans	3,243	1,703
Interest receivable bank deposits	(15)	(7)
Amortisation of issue costs	20	-
Net Interest Recievable	<u>3,248</u>	<u>1,696</u>

5 Directors and employees

The directors received no remuneration during the period.

The company has no employees apart from the directors.

6 Taxation

(a): Analysis of charge in period

Current Tax :

Current Tax on income for the period

Adjustments in respect of prior periods

Total current tax

Deferred tax:

Current year

Total deferred tax

Tax charge for the year

-	-
4	-
<u>4</u>	
-	-
-	-
<u>4</u>	<u>-</u>

(b): Factors affecting the tax charge for the year

The tax charged is higher than the standard rate of corporation tax in the UK(19%)

Profit on ordinary activities before tax

Profit on ordinary activities multiplied by standard rate of corporation tax at 19%

Effects of:

Underprovision in prior year

Current tax charge

-	-
-	-
4	-
<u>4</u>	<u>-</u>

(c): Factors that may affect future tax charges

The company is not aware of any factors that may affect future tax charges.

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
(continued)

	2006 £000	2005 £000
7 Debtors: amounts falling due within one year		
Trade Debtors	914	25
Contract Receivable	1,406	-
Prepayments and accrued Income	225	95
Other debtors	<u>75</u>	<u>974</u>
	<u><u>2,620</u></u>	<u><u>1,094</u></u>
8 Debtors: amounts falling due after more than one year		
Contract receivable	<u><u>54,347</u></u>	<u><u>44,692</u></u>
9 Creditors: amounts falling due within one year		
Trade Creditors	1,197	2,799
Term Loan Repayment	7,395	-
	<u><u>8,592</u></u>	<u><u>2,799</u></u>

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
(continued)

		2006 £000	2005 £000
10 Creditors: amounts falling due after more than one year			
Borrowings	Term loan drawn down	49,164	43,631
	less: unamortised issue costs	(569)	(588)
		<u>48,595</u>	<u>43,043</u>

Borrowings consist of:

Term loan facilities granted by Dexia Credit Local (London branch), which are secured on the assets of the company. The loan facility is for a total value of £59,038,000 of which £56,558,335 was drawn down at 30 June 2006 (2005 £43,631,435).

The loan facility is repayable from September 2003 to September 2028.

Amounts repayable are as follows:

Within one year	£000 7,395
In more than one year but not more than two years	2,741
In more than two years but not more than five years	7,775
In more than 5 years	38,648
	<u>56,559</u>

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
(continued)

11 Share capital

	2006 £	2005 £
Authorised:		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid:		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

12 Reconciliation of movements in equity shareholders' funds

Shareholders' funds at 1 July 2005	-	-
Shares Issued	-	-
Loss for the year	<u>(4)</u>	<u>-</u>
Shareholders' funds at 30 June 2006	<u>(4)</u>	<u>-</u>

13 Profit and loss account

Profit and loss account at 1 July 2005	-	-
Loss for the year	<u>(4)</u>	<u>-</u>
Profit and loss account at 30 June 2006	<u>(4)</u>	<u>-</u>

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 Related party disclosures

During the period the company entered into transactions, in the ordinary course of business, with Kier Project Investment Limited, Kier Regional Limited, Kier Limited and Kier Managed Services Ltd, all 100% subsidiaries of the Kier Group plc. Transactions entered into during the year and trading balances outstanding at 30 June 2006, are as follows:

	Purchases from related parties Services £000	Amounts owed to related parties 30 June £000
Kier Project Investment Limited	83	-
Kier London Limited	9,476	368
Kier Limited	443	-
Kier Managed Services	1,143	546
	<u>11,145</u>	<u>914</u>

15 Parent undertakings

As at 30 June 2006 the company was a wholly owned subsidiary of Academy Services (Waltham Forest) Holdings Limited, a company incorporated in the United Kingdom and registered in England and Wales. The share capital of Academy Services (Waltham Forest) (Holdings) Limited was held 50% by Kier Project Investment Limited (the ultimate holding company being Kier Group plc) and 50% by Dexia Credit Local (the ultimate holding company being Dexia Credit Local)

Academy Services (Waltham Forest) Holdings Limited and Kier Project Investment Limited are incorporated in the United Kingdom and registered in England and Wales. Dexia Credit Local is incorporated in France and registered in England and Wales.

18 Reconciliation of Operating Profit to Net Cash Outflow from Operating Activities

	2006 £000	2005 £000
Operating Profit	3,248	1,696
(Increase)/Decrease in Contract receivable	(11,061)	(44,692)
(Increase)/Decrease in debtors	(124)	(1,682)
(Increase)/Decrease in creditors	(1,602)	2,799
Net cash inflow/(outflow) from operating activities	<u>(9,539)</u>	<u>(41,879)</u>

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
(continued)

19 Analysis of changes in net debt (excluding unamortized issue costs)

	01-Jul 2005 £000	Cash flow £000	30-Jun 2006 £000
Cash at bank and in hand	56	160	216
Term loan	(43,631)	(12,927)	(56,558)
	<u>(43,575)</u>	<u>(12,767)</u>	<u>(56,342)</u>