

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

Registered Number 4954268

**Directors' Report and Financial Statements
For the year ended 30 June 2008**

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ACADEMY SERVICES (WALTHAM FOREST) LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2008

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 2008, total deductions amounted to £53,533 (30 June 2007: £53,533) representing 0.004% (30 June 2006: 0.004%) 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 2008, the Company's performance against this measure was satisfactory.

5 Results and dividends

| | 2008 | 2007 |
|---|--------|----------|
| | £ | £ |
| The profit/(loss) for the year after taxation dealt with in the financial statements is | 29,301 | (66,521) |

The directors do not recommend the payment of a dividend (2007: £nil).

6 Directors

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

J A N Tibbitts

I W Wales

S J Heavey (Appointed 16th April 2008)

P Whiscombe

C Bassindale (Resigned 16th April 2008)

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

DIRECTORS' REPORT

(continued)

7 Going concern

The directors are of the opinion that the Company has adequate resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis

8 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

15 September 2008

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT
AND FINANCIAL STATEMENTS**

Directors' responsibilities

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 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

**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 2008 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 3, 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 2008 and of its profit 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 15/9/08

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 30 June 2008

| | <u>Note</u> | <u>2008 £000</u> | <u>2007 £000</u> |
|---|-------------|----------------------|----------------------|
| Turnover | 2 | 2,755 | 1,893 |
| Other operating charges | | (2,723) | (1,827) |
| | | <hr/> | <hr/> |
| Operating profit | 3 | 32 | 66 |
| Net interest receivable/(payable) | 4 | 4 | (158) |
| | | <hr/> | <hr/> |
| Profit / (loss) on ordinary activities before taxation | | 36 | (92) |
| Taxation | 6 | (7) | 25 |
| | | <hr/> | <hr/> |
| Profit / (loss) for the financial year | | <u>29</u> | <u>(67)</u> |

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 year.

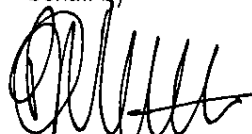
The notes on pages 9 to 15 form part of these financial statements.

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

**BALANCE SHEET
At 30 June 2008**

| | <u>Note</u> | <u>2008 £000</u> | <u>2007 £000</u> |
|--|-------------|----------------------|----------------------|
| Current assets | | | |
| Debtors Amounts falling due within one year | 7 | 1,820 | 2,477 |
| Debtors Amounts falling due after one year | 8 | <u>46,199</u> | <u>49,340</u> |
| | | 48,019 | 51,817 |
| Cash at bank and in hand | | <u>6,968</u> | <u>6,323</u> |
| | | <u>54,987</u> | <u>58,140</u> |
| Current liabilities | | | |
| Creditors Amounts falling due within one year | 9 | (4,809) | (4,815) |
| Total assets less current liabilities | | <u>50,178</u> | <u>53,325</u> |
| Creditors: Amounts falling due after one year | 10 | (50,219) | (53,396) |
| Net liabilities | | <u>(41)</u> | <u>(71)</u> |
| Capital and reserves | | | |
| Called up share capital | 11 | - | - |
| Profit and loss account | 13 | <u>(41)</u> | <u>(71)</u> |
| Equity shareholders' deficit | | <u>(41)</u> | <u>(71)</u> |

The financial statements were approved by the board on 15th September 2008 and were signed on its behalf by



PJ Whiscombe
Director

The notes on pages 9 to 15 form part of these financial statements

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

CASH FLOW STATEMENT

At 30 June 2008

| | <u>Note</u> | <u>2008 £000</u> | <u>2007 £000</u> |
|--|-------------|----------------------|----------------------|
| Net cash inflow from operating activities | 16 | 3,802 | 5,661 |
| Returns on investments and servicing of finance | | | |
| Interest received | | 3,767 | 3,472 |
| Interest paid | | <u>(3,743)</u> | <u>(3,613)</u> |
| Net cash inflow from returns on investments and servicing of finance | | 24 | (141) |
| Contract Receivable | | <u>-</u> | <u>-</u> |
| Net cash inflow before financing | | 3,826 | 5,520 |
| Financing | | | |
| Income in borrowing from subordinate loan | | - | 5,502 |
| (Decrease) borrowing from term loan | | <u>(3,181)</u> | <u>(4,915)</u> |
| Total financing | | <u>(3,181)</u> | <u>(4,915)</u> |
| Increase in cash | | <u>645</u> | <u>605</u> |
| Reconciliation of net cash flow to movement in net debt | | | |
| Increase in cash | | 645 | 6,107 |
| Decrease / (Increase) in cash from (addition)/payment of term loan | | <u>3,199</u> | <u>(587)</u> |
| Change in net debt | 17 | 3,844 | 5,520 |
| Net debt at 1 July 2007 | 17 | <u>(50,822)</u> | <u>(56,342)</u> |
| Net debt at 30 June 2008 | 17 | <u>(46,978)</u> | <u>(50,822)</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 FRS5 '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

| | 2008 £ 000 | 2007 £ 000 |
|---|---------------|---------------|
| The following costs were incurred during the period | | |
| Auditors' remuneration | 10 | 10 |
| Taxation services | 4 | 9 |
| | <u>14</u> | <u>19</u> |

The Company also paid the audit fee for its parent company in both years

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(continued)

| | 2008 £000 | 2007 £000 |
|---|--------------|--------------|
| 4 Net interest payable | | |
| Interest payable on long term loans | 3,045 | 2,908 |
| Interest payable on unsecured subordinated loan stock | 693 | 704 |
| Interest received in respect of contract receivable | (3,425) | (3,224) |
| Interest receivable bank deposits | (336) | (247) |
| Amortisation of issue costs | 19 | 17 |
| Net interest (receivable)/payable | (4) | 158 |

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 | 7 | - |
| Adjustments in respect of prior periods | - | (25) |
| Total current tax | 7 | (25) |
| Deferred tax | | |
| Current year | - | - |
| Total deferred tax | - | - |
| Tax charge/(credit) for the year | 7 | (25) |

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

The tax charged is higher than the standard rate of corporation tax in the UK(20%)

| | | |
|---|----|------|
| Profit/(loss) on ordinary activities before tax | 36 | (92) |
| Profit on ordinary activities multiplied by standard rate of corporation tax at 20% | 7 | (28) |
| loss carried forward | | 28 |
| Underprovision in prior year | | (25) |
| Current tax | 7 | (25) |

c) The Company has tax losses carried forward of £54,596 (2007 £91,337) that will be utilised against profit generated in future years

d) Other than the change in corporation tax rates from 1 April 2008, the Company is not aware of any significant factors that may affect future tax charges

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(continued)

| | 2008 £000 | 2007 £000 |
|---|---------------|---------------|
| 7 Debtors: Amounts falling due within one year | | |
| Trade debtors | 177 | 896 |
| Contract receivable | 1,511 | 1,468 |
| Prepayments and accrued income | 115 | 88 |
| Corporation tax | 17 | 25 |
| | <u>1,820</u> | <u>2,477</u> |
| 8 Debtors: Amounts falling due after one year | | |
| Contract receivable | <u>46,199</u> | <u>49,340</u> |
| 9 Creditors: Amounts falling due within one year | | |
| Trade creditors | 333 | 300 |
| Term Loan repayment | 2,773 | 2,741 |
| Subordinate Loan repayment | 422 | 458 |
| Accruals | 961 | 974 |
| VAT | 320 | 341 |
| | <u>4,809</u> | <u>4,814</u> |

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
(continued)

| | | 2008 £000 | 2007 £000 |
|---|------------------------------|---------------|---------------|
| 10 Creditors: Amounts falling due after one year | | | |
| Borrowings | Term loan drawn down | 46,128 | 48,902 |
| | Sub debt | 4,622 | 5,044 |
| | less unamortised issue costs | (531) | (550) |
| | | <u>50,219</u> | <u>53,396</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 £48,901,609 was drawn down at 30 June 2008 (2007 £51,642,756)

The loan facility is repayable from September 2003 to September 2028

Amounts repayable are as follows

| | £000 |
|---|---------------|
| Within one year | 2,774 |
| In more than one year but not more than two years | 2,511 |
| In more than two years but not more than five years | 7,308 |
| In more than 5 years | 36,309 |
| | <u>48,902</u> |

Interest is charged on amounts drawn under the senior loan facility based on floating LIBOR. The Company has entered into an interest hedging agreement to be applied to the expected future borrowing on the facility, which fixes the interest rate at 5.11% until September 2036.

The Unsecured Subordinated 13% Loan Stock is held 100% by Academy Services (Holdings) Limited, the holding company which is owned 50% by Kier Project Investment Limited, and 50% by Dexia Credit Local.

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
(continued)

| | | |
|---|-------------|-------------|
| 11 Share capital | 2008 | 2007 |
| | £000 | £000 |
| <i>Authorised:</i> | | |
| 100 Ordinary shares of £1 each | - | - |
| <i>Allotted, called up and fully paid.</i> | | |
| 100 Ordinary shares of £1 each | - | - |
| 12 Reconciliation of movements in equity shareholders' deficit | 2008 | 2007 |
| | £000 | £000 |
| Shareholders' deficit at 1 July 2007 | (71) | (4) |
| Shares Issued | - | - |
| Profit /(loss) for the year | 30 | (67) |
| Shareholders' deficit at 30 June 2008 | (41) | (71) |
| 13 Profit and loss account | 2008 | 2007 |
| | £000 | £000 |
| Profit and loss account at 1 July 2007 | (71) | (4) |
| Profit /(loss) for the year | 30 | (67) |
| Profit and loss account at 30 June 2008 | (41) | (71) |

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 2008, are as follows

| | Sub Debt Interest £000 | Purchases from related parties Services £000 | Amounts owed to related parties 30 June 2008 £000 |
|--|------------------------------|---|---|
| Kier Project Investment Limited | 354 | 71 | - |
| Kier London Limited | - | - | 31 |
| Kier Limited | - | - | - |
| Kier Managed Services | | 1,905 | 253 |
| Interest accruing during the period to shareholders in respect of unsecured subordinated loan stock amounted to | | - | 164 |
| | <u>354</u> | <u>1,976</u> | <u>448</u> |

15 Parent undertakings

As at 30 June 2008 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.

16 Reconciliation of operating profit to net cash inflow from operating activities

| | 2008 £000 | 2007 £000 |
|---|--------------|--------------|
| Operating Profit | 32 | 66 |
| Amortisation | (19) | (17) |
| Decrease in contract receivable | 3,097 | 5,007 |
| Decrease in debtors | 704 | 143 |
| (Decrease) / increase in creditors | (12) | 462 |
| Net cash inflow from operating activities | <u>3,802</u> | <u>5,661</u> |

ACADEMY SERVICES (WALTHAM FOREST) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
(continued)

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

| | 01-Jul 2007 £000 | Cash flow £000 | 30-Jun 2008 £000 |
|--------------------------|------------------------|-------------------|------------------------|
| Cash at bank and in hand | 6,323 | 645 | 6,968 |
| Term loan | (51,643) | 2,741 | (48,902) |
| Sub debt | (5,502) | 458 | (5,044) |
| | <u>(50,822)</u> | <u>3,844</u> | <u>(46,978)</u> |