

Kinnoull House Limited
Annual Report and Financial Statements
For the Period Ended 31 December 2008

Registered Number SC190800

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Kinnoull House Limited

Financial Statements

For the Period from 1 December 2007 to 31 December 2008

Contents	Pages
Company information	1
Directors' report	2 to 3
Statement of directors' responsibilities	4
Independent auditors' report to the members	5 to 6
Profit and loss account	7
Balance sheet	8
Notes to the financial statements	9 to 17

Kinnoull House Limited

Company Information

Directors

Michael Ryan (Resigned 19 March 2009)
John McDonagh (Resigned 19 March 2009)
Alan Ritchie
Laurence Clarke (Appointed 19 March 2009)
BIIF Corporate Services Ltd (Appointed 19 March 2009)

Company secretary

Infrastructure Managers Limited

Registered office

2nd Floor
11 Thistle Street
Edinburgh
EH2 1DF

Auditor

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
PO Box 90
Erskine House
68-73 Queen Street
Edinburgh
EH2 4NH

Bankers

Royal Bank of Scotland Plc
49 Charing Cross
London
SW1A 2DX

Kinnoull House Limited

The Directors' Report

For the Period from 1 December 2007 to 31 December 2008

The Directors have pleasure in presenting their report and the financial statements of the Company for the period from 1 December 2007 to 31 December 2008.

Principal Activities and Business Review

The Company carries on the business of developers of land and buildings and provides assets for use under PFI arrangements.

Results and Dividends

The profit for the period, after taxation, amounted to £893,444 (2007: profit £1,042,746).

Particulars of dividends paid are detailed in note 8 to the financial statements.

The profit for the period will be transferred to reserves.

The results for the period are in line with budget. The Directors anticipate that the Company will perform in line with budget in the coming financial year.

Key performance indicators

The performance of the company from a cash perspective is assessed on a six monthly basis by the testing of the covenants of the senior debt provider. The key indicator being the debt service cover ratio. The company has been performing well and has been compliant with the covenants laid out in the loan agreement.

Financial Instruments

Details of the Company's financial risk management objectives and policies are included in note 1 to the accounts. The fair values of the financial instruments are included in note 15 to the accounts.

Directors

The Directors who served the Company during the period and up to the date of this report are listed on page 1.

Auditor

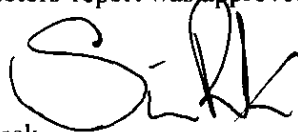
A resolution to re-appoint PricewaterhouseCoopers LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Kinnoull House Limited

The Directors' Report *(continued)*

For the Period from 1 December 2007 to 31 December 2008

The Directors' report was approved by the board on 06/10/09 and signed on its behalf by:



Simon Peck
For and on behalf of
Infrastructure Managers Limited
Company Secretary
Edinburgh

Kinnoull House Limited

Statement of Directors' Responsibilities

For the Period from 1 December 2007 to 31 December 2008

The Directors are responsible for preparing the Annual 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 ended 31 December 2008. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 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.

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Directors' responsibilities were approved by the board on 06/10/09 and signed on its behalf by:



.....
Laurence Clarke
Director

Kinnoull House Limited

Independent auditor's report to the members of Kinnoull House Limited

We have audited the financial statements of Kinnoull House Limited for the period from 1 December 2007 to 31 December 2008 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises the Directors' Report and the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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.

Kinnoull House Limited

Independent auditor's report to the members of Kinnoull House Limited *(continued)*

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 2008 and of its profit for the period then ended;
- the financial statements 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.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Edinburgh

6 October 2009

Kinnoull House Limited

Profit and Loss Account

For the Period from 1 December 2007 to 31 December 2008

		Period from 1 Dec 07 to 31 Dec 08 £	Year to 30 Nov 07 £
	Note		
Turnover	2	3,438,551	3,402,695
Cost of sales		(655,745)	(944,707)
Gross Profit		2,782,806	2,457,988
Administrative expenses		(513,259)	(94,185)
Operating Profit	3	2,269,547	2,363,803
Interest receivable	5	251,891	220,265
Interest payable and similar charges	6	(1,199,364)	(1,141,379)
Profit on Ordinary Activities Before Taxation		1,322,074	1,442,689
Tax on profit on ordinary activities	7	(428,630)	(399,943)
Profit for the Financial Period	17	893,444	1,042,746

The Company has no recognised gains and losses other than those included in the profit above, which all relate to continuing activities, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the profit for the period stated above and their historical cost equivalents.

The notes on pages 9 to 17 form part of these financial statements.

Kinnoull House Limited

Balance Sheet

as at 31 December 2008

	Note	31 Dec 08 £	30 Nov 07 £
Fixed Assets			
Tangible assets	9	<u>15,532,946</u>	<u>15,852,057</u>
Current Assets			
Debtors due within one year	10	400,326	729,008
Cash at bank		<u>4,186,387</u>	<u>3,848,041</u>
		4,586,713	4,577,049
Creditors: Amounts falling due within one year	11	<u>(1,460,031)</u>	<u>(1,495,092)</u>
Net Current Assets		<u>3,126,682</u>	<u>3,081,957</u>
Total Assets Less Current Liabilities		<u>18,659,628</u>	<u>18,934,014</u>
Creditors: Amounts falling due after more than one year	12	<u>(13,535,967)</u>	<u>(14,273,740)</u>
		5,123,661	4,660,274
Provisions for Liabilities			
Deferred taxation	14	<u>(1,283,291)</u>	<u>(1,280,322)</u>
Net assets		<u>3,840,370</u>	<u>3,379,952</u>
Capital and Reserves			
Share capital	16	134,000	134,000
Profit and loss account	17	<u>3,706,370</u>	<u>3,245,952</u>
Equity Shareholder's Funds	18	<u>3,840,370</u>	<u>3,379,952</u>

These financial statements on pages 7 to 17 were approved by the Directors and authorised for issue on 06/10/09, and are signed on their behalf by:


.....
Laurence Clarke
Director

The notes on pages 9 to 17 form part of these financial statements.

Kinnoull House Limited

Notes to the Financial Statements

For the Period from 1 December 2007 to 31 December 2008

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, is set out below.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable Accounting Standards in the United Kingdom. The financial statements have been prepared on a going concern basis as the Company's financial projections indicate that sufficient funds will be generated to allow on-going obligations to be met as they fall due.

Cash flow statement

The Directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the Company is small.

Turnover

Turnover represents the value of rental income and service charges receivable during the period, wholly within the UK, excluding Value Added Tax.

Fixed assets

Accounting for PFI assets

The unitary charge is the turnover of the Company which is received from the provision of a PFI asset to the customer and is received over the life of the concession period. Where the unitary charge is separable, the provisions of Statement of Standard Accounting Practice No 21 (lease accounting) have been applied. In this case the property element is treated as a finance debtor representing the discounted expected future unitary charge receipts from the relevant project for the property. Where the unitary charge is non-separable and substantially all the risks and rewards of ownership remain with the Group, the asset is accounted for as a fixed asset. In the majority of cases the directors consider that the risks and rewards remain with the Group, and thus the costs of construction are included as fixed assets.

Costs incurred in the construction of subsidiaries' assets have been accounted for under Financial Reporting Standard No 5 Application Note F.

Kinnoull House Limited

Notes to the Financial Statements

For the Period from 1 December 2007 to 31 December 2008

1. Accounting policies *(continued)*

Tangible fixed assets

Assets completed and under construction are shown at cost. In determining the relevant accounting treatment of the transactions, consideration was given to the provisions included in FRS 5 and HM Treasury guidance.

Interest and other directly attributable finance costs in respect of loans for the purpose of constructing assets are capitalised as part of the cost of constructing the buildings up to the date of practical completion. Subsequent interest is charged to the profit and loss account.

Depreciation

Depreciation is charged on Land and Buildings on a straight line basis to the profit and loss account over the useful economic life of each asset. The annual rates applied to each class of asset are:

Buildings	-	25 Years
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Deferred taxation

Deferred tax is fully provided on timing differences recognised by the balance sheet date when the Company has an obligation to pay more or less tax in the future as a result of these timing differences. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. The Company has not adopted a policy of discounting deferred tax assets and liabilities, as permitted by Financial Reporting Standard No 19 (Deferred Tax).

Financial Instruments

The company uses derivative financial instruments to manage exposures to fluctuations in interest rates. Amounts payable and receivable in respect of these derivatives are recognised as adjustments to interest expense over the term of the contracts.

Kinnoull House Limited

Notes to the Financial Statements

For the Period from 1 December 2007 to 31 December 2008

2. Turnover

The turnover and profit before tax are attributable to the one principal activity of the Company.
An analysis of turnover is given below:

	Period from 1 Dec 07 to 31 Dec 08 £	Year to 30 Nov 07 £
United Kingdom	<u>3,438,551</u>	<u>3,402,695</u>

3. Operating profit

Operating profit is stated after charging:

	Period from 1 Dec 07 to 31 Dec 08 £	Year to 30 Nov 07 £
Depreciation of owned fixed assets	<u>319,111</u>	<u>294,564</u>

Auditors' remuneration is borne by Lanterndew Limited.

4. Particulars of employees and directors

The Directors did not receive any remuneration from the Company during the period (2007: £nil). There were no employees in the financial period other than the directors (2007: nil).

5. Interest receivable

	Period from 1 Dec 07 to 31 Dec 08 £	Year to 30 Nov 07 £
Bank interest receivable	<u>251,891</u>	<u>220,265</u>

6. Interest payable and similar charges

	Period from 1 Dec 07 to 31 Dec 08 £	Year to 30 Nov 07 £
Interest payable on bank borrowing	955,196	913,384
Interest payable on loans due to intermediate parent company	244,168	227,995
	<u>1,199,364</u>	<u>1,141,379</u>

Kinnoull House Limited

Notes to the Financial Statements

For the Period from 1 December 2007 to 31 December 2008

7. Taxation on ordinary activities

(a) Analysis of charge in the period

	Period from 1 Dec 07 to 31 Dec 08 £	Year to 30 Nov 07 £
Current tax:		
In respect of the period:		
UK Corporation tax based on the results for the period at 28.60% (2007 - 30%)	434,539	470,474
Over/under provision in prior year	(8,878)	-
Total current tax	425,661	470,474
Deferred tax:		
Origination and reversal of timing differences	2,969	(70,531)
Tax on profit on ordinary activities	428,630	399,943

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is higher than the standard rate of corporation tax in the UK of 28.60% (2007 - 30%).

	Period from 1 Dec 07 to 31 Dec 08 £	Year to 30 Nov 07 £
Profit on ordinary activities before taxation	1,322,074	1,442,689
Profit on ordinary activities by rate of tax	378,306	432,806
Expenses not deductible for tax purposes	59,267	58,589
Capital allowances for period in excess of depreciation	(3,034)	(20,921)
Adjustments to tax charge in respect of previous periods	(8,878)	-
Total current tax (note 7(a))	425,661	470,474

8. Dividends

Equity dividends

	Period from 1 Dec 07 to 31 Dec 08 £	Year to 30 Nov 07 £
Paid during the period:		
Ordinary shares - interim dividend of £3.23p per share (2007: £2.50p)	433,026	335,329

Kinnoull House Limited

Notes to the Financial Statements

For the Period from 1 December 2007 to 31 December 2008

9. Tangible fixed assets

	Land & Buildings £
Cost	
At 1 December 2007 and 31 December 2008	<u>17,982,476</u>
Depreciation	
At 1 December 2007	2,130,419
Charge for the period	<u>319,111</u>
At 31 December 2008	<u>2,449,530</u>
Net Book Value	
At 31 December 2008	<u>15,532,946</u>
At 30 November 2007	<u>15,852,057</u>

10. Debtors

	31 Dec 08 £	30 Nov 07 £
Trade debtors	311,388	625,650
Prepayments and accrued income	<u>88,938</u>	<u>103,358</u>
	<u>400,326</u>	<u>729,008</u>

11. Creditors: Amounts falling due within one year

	31 Dec 08 £	30 Nov 07 £
Other loans	31,096	26,849
Bank loans	706,677	658,754
Trade creditors	105,500	121,397
Amounts owed to group undertakings	68,359	50,209
Corporation tax	129,005	319,091
Other taxation	104,679	74,678
Accruals and deferred income	<u>314,715</u>	<u>244,114</u>
	<u>1,460,031</u>	<u>1,495,092</u>

The amounts owed to group undertakings consists of amounts due to intermediate parent.

The amounts owed to intermediate parent are trading balances, are not interest bearing and are repayable on demand.

Kinnoull House Limited

Notes to the Financial Statements

For the Period from 1 December 2007 to 31 December 2008

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

	31 Dec 08 £	30 Nov 07 £
Bank loans	11,845,444	12,552,121
Other loans	1,690,523	1,721,619
	<u>13,535,967</u>	<u>14,273,740</u>

Bank loans are repayable over a period of 20 years by way of semi-annual payments commencing 10 March 2001. The last payment is due on 10 September 2020. The bank loans are secured by way of a fixed and floating charge over the assets of the Company. Interest is charged on the bank loan at the rate of 6.735% per annum. Other loans are repayable over a period of 25 years by way of semi-annual payments commencing 10 March 2001. The last payment is due on 10 September 2025. Interest is charged on the other loans at the rate of 12.94% per annum.

13. Creditors - capital instruments

Creditors include loans which is due for repayment as follows:

	31 Dec 08 £	30 Nov 07 £
Amounts repayable:		
In one year or less or on demand	737,773	684,603
In more than one year but not more than two years	790,615	761,515
In more than two years but not more than five years	2,725,663	2,459,336
In more than five years	10,019,689	11,052,889
	<u>14,273,740</u>	<u>14,959,343</u>

14. Deferred taxation

The movement in the deferred taxation provision during the period was:

	Period from 1 Dec 07 to 31 Dec 08 £	Year to 30 Nov 07 £
Provision brought forward	1,280,322	1,350,853
Profit and loss account movement arising during the period	2,969	(70,531)
Provision carried forward	<u>1,283,291</u>	<u>1,280,322</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	31 Dec 08 £	30 Nov 07 £
Excess of taxation allowances over depreciation on fixed assets	1,283,291	1,280,322
	<u>1,283,291</u>	<u>1,280,322</u>

Kinnoull House Limited

Notes to the Financial Statements

For the Period from 1 December 2007 to 31 December 2008

15. Financial risk management objectives and policies

Due to the nature of the Company's business, the only financial risks the directors consider relevant to this Company is credit, cash flow, interest rate and liquidity risk. The credit and cash flow risks are not considered significant as the client is a quasi governmental organisation.

Interest rate risk

The financial risk management objectives of the Company are to ensure that financial risks are mitigated by the use of financial instruments where they cannot be addressed by means of contractual provisions. The Company uses interest rate swaps to reduce its exposure to interest rate movements. Financial instruments are not used for speculative purposes.

Liquidity risk

The Company's liquidity risk is principally managed through financing the Company by means of long term borrowings.

Fair values of financial assets and liabilities

Set out below is a comparison by category of carrying amounts and fair values of all of the company's financial instruments that are carried in the financial statements at other than fair values:

	31 Dec 08		30 Nov 07	
	Carrying amount £	Fair value £	Carrying amount £	Fair value £
<i>Financial assets</i>				
Interest rate SWAP	—	(1,596,903)	—	248,853
<i>Financial liabilities</i>				
Long term borrowing	(12,552,120)	(10,955,217)	(13,210,875)	(12,962,021)

The fair values of the fixed rate borrowing and the interest rate swap have been calculated by discounting the fixed cashflows at the prevailing interest rates at the year end.

Kinnoull House Limited

Notes to the Financial Statements

For the Period from 1 December 2007 to 31 December 2008

16. Share capital

Authorised share capital:

	31 Dec 08 £	30 Nov 07 £
250,000 'A' type shares of £1 each	250,000	250,000
250,000 'B' type shares of £1 each	250,000	250,000
	<u>500,000</u>	<u>500,000</u>

Allotted, called up and fully paid:

	31 Dec 08		30 Nov 07	
	No	£	No	£
'A' type shares of £1 each	67,000	67,000	67,000	67,000
'B' type shares of £1 each	67,000	67,000	67,000	67,000
	<u>134,000</u>	<u>134,000</u>	<u>134,000</u>	<u>134,000</u>

"A" and "B" shares have equal ranking and voting rights.

17. Profit and loss account

	Period from 1 Dec 07 to 31 Dec 08 £	Year to 30 Nov 07 £
Balance brought forward	3,245,952	2,538,535
Profit for the financial period	893,444	1,042,746
Equity dividends	(433,026)	(335,329)
Balance carried forward	<u>3,706,370</u>	<u>3,245,952</u>

18. Reconciliation of movements in shareholders' funds

	31 Dec 08 £	30 Nov 07 £
Profit for the financial period	893,444	1,042,746
Equity dividends	(433,026)	(335,329)
Net addition to shareholders' funds	460,418	707,417
Opening shareholders' funds	3,379,952	2,672,535
Closing shareholders' funds	<u>3,840,370</u>	<u>3,379,952</u>

19. Related party disclosures

The directors have considered the provisions contained within FRS 8 and are satisfied that there are no further disclosures required.

Disclosure of related party transactions that the Directors have with the group which is consolidated at Lanterndew Limited are included in the accounts of that entity.

Kinnoull House Limited

Notes to the Financial Statements

For the Period from 1 December 2007 to 31 December 2008

20. Ultimate parent company

The immediate parent company is Kinnoull House (Holdings) Limited.

The ultimate parent and controlling entity is Barclays Integrated Infrastructure Fund LP. Barclays Integrated Infrastructure Fund LP is owned by a number of investors, with no one investor having individual control.