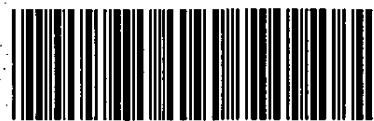


Kinnoull House Limited
Annual Report and Financial Statements
For the Year Ended 31 December 2011

Registered Number SC190800

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Kinnoull House Limited

Financial Statements

Year Ended 31 December 2011

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Kinnoull House Limited

Company Information

The board of directors	Laurence Clarke (Resigned 4 March 2011) BIIF Corporate Services Limited David Gilmour (Appointed 4 March 2011)
Company secretary	Infrastructure Managers Limited
Registered office	2nd Floor 11 Thistle Street Edinburgh EH2 1DF
Auditor	PricewaterhouseCoopers LLP Chartered Accountants and Statutory 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

Year Ended 31 December 2011

The directors have pleasure in presenting their report and the financial statements of the Company for the year ended 31 December 2011.

Principal Activities and Business Review

The Company trades as a property developer and operator, with the sole purpose of providing and operating office accommodation and car parking space to Perth & Kinross Council under PFI arrangements.

Results and Dividends

The profit for the year, after taxation, amounted to £988,849. Particulars of dividends paid are detailed in note 8 to the financial statements.

The profit for the year will be transferred to reserves.

The results for the year 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 15 to the accounts.

Directors

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

Auditor

PricewaterhouseCoopers LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

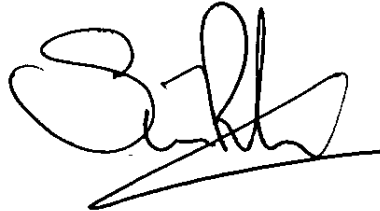
Kinnoull House Limited

The Directors' Report *(continued)*

Year Ended 31 December 2011

Registered office:
2nd Floor
11 Thistle Street
Edinburgh
EH2 1DF

Signed by order of the directors

A handwritten signature in black ink, appearing to be 'S. H.', with a long horizontal stroke extending to the right.

Infrastructure Managers Limited
Company Secretary

Approved by the directors on 17 July 2012

Kinnoull House Limited

Statement of Directors' Responsibilities

Year Ended 31 December 2011

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 year ended 31 December 2011. 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 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.

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 17 July 2012 and signed on its behalf by:



John Cavill, for and on behalf of
BIIF Corporate Services Limited
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 year ended 31 December 2011 which comprise the Profit and Loss Account, 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 set out on page 4, 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 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 December 2011 and of its profit 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.

Kinnoull House Limited

Independent Auditor's Report to the Members of Kinnoull House Limited

(continued)

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.

Martin Cowie

Martin Cowie (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

17 July 2012
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Kinnoull House Limited

Profit and Loss Account

Year Ended 31 December 2011

	Note	2011 £	2010 £
Turnover	2	3,314,122	3,326,932
Cost of sales		(671,321)	(687,565)
Gross profit		2,642,801	2,639,367
Administrative expenses		(459,729)	(458,329)
Operating profit	3	2,183,072	2,181,038
Interest receivable	5	43,866	34,584
Interest payable and similar charges	6	(934,972)	(987,153)
Profit on ordinary activities before taxation		1,291,966	1,228,469
Tax on profit on ordinary activities	7	(303,117)	(352,244)
Profit for the financial year		988,849	876,225

All of the activities of the Company are classed as continuing.

The Company has no recognised gains and losses other than those included in the profit above 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 year 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 2011

	Note	2011 £	2010 £
Fixed assets			
Tangible assets	9	<u>14,649,254</u>	<u>14,943,818</u>
Current assets			
Debtors due within one year	10	<u>422,345</u>	<u>387,359</u>
Cash at bank		<u>5,274,518</u>	<u>5,423,783</u>
		<u>5,696,863</u>	<u>5,811,142</u>
Creditors: Amounts falling due within one year	11	<u>(1,938,352)</u>	<u>(2,253,627)</u>
Net current assets		<u>3,758,511</u>	<u>3,557,515</u>
Total assets less current liabilities		<u>18,407,765</u>	<u>18,501,333</u>
Creditors: Amounts falling due after more than one year	12	<u>(10,993,006)</u>	<u>(11,903,137)</u>
		<u>7,414,759</u>	<u>6,598,196</u>
Provisions for liabilities			
Deferred taxation	14	<u>(1,119,339)</u>	<u>(1,220,625)</u>
Net assets		<u>6,295,420</u>	<u>5,377,571</u>
Capital and reserves			
Share capital	16	<u>134,000</u>	<u>134,000</u>
Profit and loss account	17	<u>6,161,420</u>	<u>5,243,571</u>
Equity shareholders' funds	18	<u>6,295,420</u>	<u>5,377,571</u>

These financial statements on pages 7 to 17 were approved by the directors and authorised for issue on 13 July 2012 and are signed on their behalf by:


John Cavill, for and on behalf of
BIIF Corporate Services Limited
Director

Company Registration Number SC190800

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

Kinnoull House Limited

Notes to the Financial Statements

Year Ended 31 December 2011

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, 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 2006 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 Company is a wholly owned subsidiary of BIIF Holdco Limited and is included in the consolidated financial statements of BIIF Holdco Limited, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1.

Turnover

Turnover represents the value of rental income and service charges receivable during the year, 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

Year Ended 31 December 2011

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:

	2011	2010
	£	£
United Kingdom	<u>3,314,122</u>	<u>3,326,932</u>

3. Operating profit

Operating profit is stated after charging:

	2011	2010
	£	£
Depreciation of owned fixed assets	294,564	294,564
Auditor's remuneration		
- as auditor	<u>8,287</u>	<u>7,867</u>

4. Particulars of employees and directors

The Directors did not receive any remuneration from the Company during the year (2010: £nil).
There were no employees in the financial year other than the directors (2010: nil).

5. Interest receivable

	2011	2010
	£	£
Bank interest receivable	<u>43,866</u>	<u>34,584</u>

6. Interest payable and similar charges

	2011	2010
	£	£
Interest payable on bank borrowing	723,014	770,969
Interest payable on loans due to intermediate parent company	211,958	216,184
	<u>934,972</u>	<u>987,153</u>

Kinnoull House Limited

Notes to the Financial Statements

Year Ended 31 December 2011

7. Taxation on ordinary activities

(a) Analysis of charge in the year

	2011 £	2010 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 26.49% (2010 - 28%)	404,403	406,379
Total current tax	404,403	406,379
Deferred tax:		
Origination and reversal of timing differences	(101,286)	(54,135)
Tax on profit on ordinary activities	303,117	352,244

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 26.49% (2010 - 28%).

	2011 £	2010 £
Profit on ordinary activities before taxation	1,291,966	1,228,469
Profit on ordinary activities by rate of tax	342,282	343,971
Expenses not deductible for tax purposes	50,602	53,481
Capital allowances for period in excess of depreciation	11,519	8,927
Total current tax (note 7(a))	404,403	406,379

(c) Factors that may affect future tax charges

During the year, as a result of the change in the UK main corporation tax rate from 26% to 25% that was substantively enacted on 5 July 2011 and that will be effective from 1 April 2012, the relevant deferred tax balances have been re-measured. This change has reduced the deferred tax liability at the balance sheet date and so has increased profit in the year by £90,417.

Further reductions to the UK corporation tax rate were announced in the March 2011 Budget. These changes had not been substantively enacted at the balance sheet date and therefore are not recognised in these financial statements. The changes, which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 23% by 1 April 2014. The overall effect of the further changes from 25% to 23%, if these applied to the deferred tax balance at 31 December 2011, would be to reduce the deferred tax liability by £89,548.

Kinnoull House Limited

Notes to the Financial Statements

Year Ended 31 December 2011

8. Dividends

Equity dividends

	2011 £	2010 £
Paid during the year:		
Ordinary shares - interim dividend of £0.53 per share (2010: £0.51p per share)	<u>71,000</u>	<u>68,000</u>

9. Tangible fixed assets

	Land & Buildings £
Cost	
At 1 January 2011 and 31 December 2011	<u>17,982,476</u>
Depreciation	
At 1 January 2011	3,038,658
Charge for the year	<u>294,564</u>
At 31 December 2011	<u>3,333,222</u>
Net book value	
At 31 December 2011	<u>14,649,254</u>
At 31 December 2010	<u>14,943,818</u>

10. Debtors

	2011 £	2010 £
Trade debtors	379,783	342,628
Corporation tax repayable	386	—
Prepayments and accrued income	<u>42,176</u>	<u>44,731</u>
	<u>422,345</u>	<u>387,359</u>

Kinnoull House Limited

Notes to the Financial Statements

Year Ended 31 December 2011

11. Creditors: Amounts falling due within one year

	2011	2010
	£	£
Other loans	44,698	38,800
Bank loans	864,410	803,378
Trade creditors	86,029	80,408
Amounts owed to group undertakings	401,288	387,263
Corporation tax	—	415,757
Other taxation	126,118	116,091
Accruals and deferred income	415,809	411,930
	<u>1,938,352</u>	<u>2,253,627</u>

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

The amounts owed to intermediate parent are trading balances and group tax relief. They are not interest bearing and are repayable on demand.

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

	2011	2010
	£	£
Bank loans	9,422,196	10,286,645
Other loans	1,570,810	1,616,492
	<u>10,993,006</u>	<u>11,903,137</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:

	2011	2010
	£	£
Amounts repayable:		
In one year or less or on demand	909,108	842,178
In more than one year but not more than two years	973,374	910,111
In more than two years but not more than five years	3,355,652	3,132,933
In more than five years	6,663,980	7,860,093
	<u>11,902,114</u>	<u>12,745,315</u>

Kinnoull House Limited

Notes to the Financial Statements

Year Ended 31 December 2011

14. Deferred taxation

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

	2011	2010
	£	£
Provision brought forward	1,220,625	1,274,760
Profit and loss account movement arising during the year	(101,286)	(54,135)
Provision carried forward	<u>1,119,339</u>	<u>1,220,625</u>

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

	2011	2010
	£	£
Excess of taxation allowances over depreciation on fixed assets	<u>1,119,339</u>	<u>1,220,625</u>
	<u>1,119,339</u>	<u>1,220,625</u>

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:

Kinnoull House Limited

Notes to the Financial Statements

Year Ended 31 December 2011

15. Financial risk management objectives and policies (continued)

	2011		2010	
	Carrying amount £	Fair value £	Carrying amount £	Fair value £
<i>Financial liabilities</i>				
Long term borrowing	(11,902,113)	(9,924,015)	(11,090,079)	(9,473,228)
Interest rate SWAP	—	(1,978,098)	—	(1,616,851)

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.

16. Share capital

Authorised share capital:

	2011 £	2010 £
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:

	2011		2010	
	No	£	No	£
67,000 'A' type shares of £1 each	67,000	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

	2011 £	2010 £
Balance brought forward	5,243,571	4,435,346
Profit for the financial year	988,849	876,225
Equity dividends	(71,000)	(68,000)
Balance carried forward	<u>6,161,420</u>	<u>5,243,571</u>

Kinnoull House Limited

Notes to the Financial Statements

Year Ended 31 December 2011

18. Reconciliation of movements in shareholders' funds

	2011	2010
	£	£
Profit for the financial year	988,849	876,225
Equity dividends	(71,000)	(68,000)
Net addition to shareholders' funds	917,849	808,225
Opening shareholders' funds	5,377,571	4,569,346
Closing shareholders' funds	6,295,420	5,377,571

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 BIIF Holdco Limited are included in the accounts of that entity.

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.