Kinnoull House Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2013

Registered Number SC190800



Kinnoull House Limited

Financial Statements

Year Ended 31 December 2013

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Kinnoull House Limited

Company Information

The board of directors	BIIF Corporate Services Limited David Gilmour
Company secretary	Infrastructure Managers Limited
Registered office	2nd Floor 11 Thistle Street Edinburgh EH2 1DF
Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Level 4 Atria One 144 Morrison Street Edinburgh EH3 8EX
Bankers	Royal Bank of Scotland Plc 49 Charing Cross London SW1A 2DX

Kinnoull House Limited

Directors' Report

Year Ended 31 December 2013

The directors present their report and the financial statements of the Company for the year ended 31 December 2013.

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 £1,237,969 (2012: profit £1,133,235). 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.

Small Company Provisions

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

Auditor

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

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

Signed by order of the directors

Infrastructure Managers Limited
Company Secretary

Approved by the directors on 14 May 2014.

Kinnoull House Limited

Statement of Directors' Responsibilities

Year Ended 31 December 2013

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 elected to prepare 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 year.

In preparing those 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.

In so far as the directors are aware:

- there is no relevant audit information of which the Company's auditors are 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 auditors are aware of that information.

The Directors' responsibilities were approved by the board on 14 May 2014 and signed on its behalf by:

David Gilmour,
Director

Kinnoull House Limited

Independent auditors' report to the members of Kinnoull House Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Kinnoull House Limited, comprise:

- the balance sheet as at 31 December 2013;
- the profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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.

Independent auditors' report to the members of Kinnoull House Limited (continued)

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibility and basis of this opinion

As explained more fully in the Statement of Directors' Responsibilities 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 ISAs (UK & 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.

Martin Cowie (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
14 May 2014

Kinnoull House Limited

Profit and Loss Account

Year Ended 31 December 2013

	Note	2013 £	2012 £
Turnover	2	**3,429,829**	3,332,090
Cost of sales		**(722,682)**	(672,812)
Gross profit		**2,707,147**	2,659,278
Administrative expenses		**(415,962)**	(391,850)
Operating profit	3	**2,291,185**	2,267,428
Interest receivable	5	**27,048**	45,542
Interest payable and similar charges	6	**(816,653)**	(866,879)
Profit on ordinary activities before taxation		**1,501,580**	1,446,091
Tax on profit on ordinary activities	7	**(263,611)**	(312,856)
Profit for the financial year		**1,237,969**	1,133,235

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 16 form part of these financial statements.

Kinnoull House Limited

Balance Sheet

As at 31 December 2013

	Note	2013 £	2012 £
Fixed assets			
Tangible assets	9	**14,060,125**	14,354,690
Current assets			
Debtors due within one year	10	**459,187**	391,505
Cash at bank		**5,044,171**	5,403,429
		5,503,358	5,794,934
Creditors: Amounts falling due within one year	11	**(1,963,391)**	(1,896,270)
Net current assets		**3,539,967**	3,898,664
Total assets less current liabilities		**17,600,092**	18,253,354
Creditors: Amounts falling due after more than one year	12	**(8,981,773)**	(10,019,609)
Provisions for liabilities			
Deferred taxation	14	**(866,607)**	(1,013,090)
Net assets		**7,751,712**	7,220,655
Capital and reserves			
Share capital	16	**134,000**	134,000
Profit and loss account	17	**7,617,712**	7,086,655
Equity shareholders' funds	18	**7,751,712**	7,220,655

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

These accounts on pages 7 to 16 were approved by the directors and authorised for issue on 14 May 2014, and are signed on their behalf by:

David Gilmour,
Director

Company Registration Number: SC190800

The notes on pages 9 to 16 form part of these financial statements.

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 company, 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 company, 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.

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

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.

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:

	2013	2012
	£	£
United Kingdom	**3,429,829**	3,332,090

3. Operating profit

Operating profit is stated after charging:

	2013	2012
	£	£
Directors' remuneration	–	–
Depreciation of owned fixed assets	**294,565**	294,564
Auditors' remuneration		
- as auditor	**12,588**	8,839

4. Particulars of employees and directors

The directors did not receive any remuneration from the Company during the year (2012: £nil). There were no employees in the financial year other than the directors (2012: £nil).

5. Interest receivable

	2013	2012
	£	£
Bank interest receivable	**27,048**	45,542

6. Interest payable and similar charges

	2013	2012
	£	£
Interest payable on bank borrowing	**616,750**	661,625
Interest on other loans	**199,903**	205,254
	816,653	866,879

7. Taxation on ordinary activities

(a) Analysis of charge in the year

	2013	2012
	£	£
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 23.25% (2012 - 24.50%)	**410,094**	415,079
Over/under provision in prior year	**-**	4,026
Total current tax	**410,094**	419,105
Deferred tax:		
Origination and reversal of timing differences	**(146,483)**	(106,249)
Tax on profit on ordinary activities	**263,611**	312,856

7. Taxation on ordinary activities *(continued)*

(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 23.25% (2012 - 24.50%).

	2013	2012
	£	£
Profit on ordinary activities before taxation	**1,501,580**	1,446,091
Profit on ordinary activities by rate of tax	**349,066**	354,253
Expenses not deductible for tax purposes	**44,359**	46,748
Capital allowances for period in excess of depreciation	**16,669**	14,078
Adjustments to tax charge in respect of previous periods	**-**	4,026
Total current tax (note 7(a))	**410,094**	419,105

(c) Factors that may affect future tax charges

During the year, as a result of the reduction in the UK main corporation tax rate from 23% to 20% that was enacted on 17 July 2013 to take effect in two stages from 1 April 2014 (21%) and then from 1 April 2015 (20%), the relevant deferred tax balances have been re-measured at 20%.

This change has reduced the deferred tax liability at the balance sheet date, and so has increased the profit in the year by £129,991.

8. Dividends

Equity dividends

	2013	2012
	£	£
Paid during the year:		
Ordinary shares - interim dividend of £5.28 per share (2012: £1.55 per share)	**706,912**	208,000

9. Tangible fixed assets

	Land & Buildings £
Cost	
At 1 January 2013 and 31 December 2013	**17,982,476**
Depreciation	
At 1 January 2013	**3,627,786**
Charge for the year	**294,565**
At 31 December 2013	**3,922,351**
Net book value	
At 31 December 2013	**14,060,125**
At 31 December 2012	14,354,690

10. Debtors

	2013 £	2012 £
Trade debtors	**423,176**	348,478
Other debtors	**4,065**	–
Prepayments and accrued income	**31,946**	43,027
	459,187	391,505

11. Creditors: Amounts falling due within one year

	2013 £	2012 £
Bank loans	**979,858**	922,177
Trade creditors	**74,579**	78,716
Amounts owed to group undertakings	**529,521**	467,081
Corporation tax	**–**	1
Other taxation	**144,491**	130,648
Accruals and deferred income	**234,942**	297,647
	1,963,391	1,896,270

The amounts owed to group undertakings consists of trading balances and group tax relief. The trading balances bear interest at 12.94% per annum and are repayable on demand. Group tax relief is not interest bearing.

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

	2013	2012
	£	£
Bank loans	**7,520,819**	8,500,429
Amounts owed to group undertakings	**1,460,954**	1,519,180
	8,981,773	10,019,609

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:

	2013	2012
	£	£
Amounts repayable:		
In one year or less or on demand	**1,037,939**	973,374
In more than one year but not more than two years	**1,121,619**	1,037,939
In more than two years but not more than five years	**3,869,369**	3,607,584
In more than five years	**3,990,785**	5,374,086
	10,019,712	10,992,983

14. Deferred taxation

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

	2013	2012
	£	£
Provision brought forward	**1,013,090**	1,119,339
Profit and loss account movement arising during the year	**(146,483)**	(106,249)
Provision carried forward	**866,607**	1,013,090

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

	2013	2012
	£	£
Excess of taxation allowances over depreciation on fixed assets	**866,607**	1,013,090
	866,607	1,013,090

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:

	2013		2012	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	£	**£**	**£**	**£**
Financial liabilities				
Long term borrowing	**(8,500,016)**	**(7,281,573)**	(10,992,983)	(9,099,441)
Interest rate SWAP	**–**	**(1,218,443)**	–	(1,893,542)

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

Allotted, called up and fully paid:

	2013		2012	
	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
	134,000	**134,000**	134,000	134,000

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

17. Profit and loss account

	2013	2012
	£	£
Balance brought forward	**7,086,655**	6,161,420
Profit for the financial year	**1,237,969**	1,133,235
Equity dividends	**(706,912)**	(208,000)
Balance carried forward	**7,617,712**	7,086,655

18. Reconciliation of movements in shareholders' funds

	2013	2012
	£	£
Profit for the financial year	**1,237,969**	1,133,235
Equity dividends	**(706,912)**	(208,000)
Net addition to shareholders' funds	**531,057**	925,235
Opening shareholders' funds	**7,220,655**	6,295,420
Closing shareholders' funds	**7,751,712**	7,220,655

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 BIIF LP. BIIF LP is owned by a number of investors, with no one investor having individual control.