

Kinnoull House Limited
Annual Report and Financial Statements
31 December 2015

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Kinnoull House Limited

Annual Report and Financial Statements

Year Ended 31 December 2015

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Kinnoull House Limited

Officers and Professional Advisers

The board of directors

BIIF Corporate Services Limited (Resigned 25 January 2016)
David Gilmour
John Cavill (Appointed 25 January 2016)

Company secretary

Infrastructure Managers Limited

Registered office

2nd Floor
11 Thistle Street
Edinburgh
EH2 1DF

Auditor

PricewaterhouseCoopers LLP
Chartered Accountants & 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 2015

The directors present their report and the financial statements of the company for the year ended 31 December 2015.

Principal Activities

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. The project commencement date was 11 September 2000 and the project has a term of 25 years with an optional 15 year extension.

Performance Review

The entity transitioned from previous UK GAAP to FRS 102 as at 1 January 2014. The accounts for both years are presented under FRS 102, the adjustments to the prior year reported financial position and financial performance is given in note 23.

The profit for the year, after taxation, amounted to £1,352,766 (2014: £1,149,189).

The profit for the year will be transferred to reserves.

The directors are satisfied with the overall performance of the Company and do not foresee any significant change in the Company's activities in the coming financial year.

Key performance indicators

The performance of the Company from a cash perspective is assessed six monthly 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 group loan agreement.

Directors'

The directors who served the company during the year and up to the date of this report were as follows:

David Gilmour

John Cavill (Appointed 25 January 2016)

BIIF Corporate Services Limited (Resigned 25 January 2016)

Dividends

Particulars of dividends paid are detailed in note 11 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.

Kinnoull House Limited

Directors' Report *(continued)*

Year Ended 31 December 2015

Financial Instruments

Due to the nature of the Company's business, the financial risks the directors consider relevant to this Company is credit, interest rate, cash flow and liquidity risk. The credit risk is 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. The Company uses interest rate swaps to reduce its exposure to interest rate movements. Financial instruments are not used for speculative purposes.

Cash Flow and Liquidity risk

Many of the Cash Flow risks are addressed by means of contractual provisions. The Company's liquidity risk is principally managed through financing the Company by means of long term borrowings.

Small Company Provisions

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

This report was approved by the board of directors on 30 June 2016 and signed on behalf of the board by:



Infrastructure Managers Limited
Company Secretary

Kinnoull House Limited

Directors' Responsibilities Statement

Year Ended 31 December 2015

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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

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 the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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 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 auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

The Directors' Responsibilities were approved by the board on 30 June 2016 and signed on its behalf by:



David Gilmour

Director

Kinnoull House Limited

Independent Auditors' Report to the Members of Kinnoull House Limited

Year Ended 31 December 2015

Our Opinion

In our opinion, Kinnoull House Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 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.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 December 2015;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity 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 the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

Opinion on Other Matter Prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

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.

Kinnoull House Limited

Independent Auditors' Report to the Members of Kinnoull House Limited *(continued)*

Year Ended 31 December 2015

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: prepare financial statements in accordance with the small companies regime; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Respective Responsibilities of Directors and Auditor

Our responsibilities and those of the directors

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) ("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.

Scope of the Audit of the Financial Statements

We conducted our audit in accordance with 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

Kinnoull House Limited

Independent Auditors' Report to the Members of Kinnoull House Limited *(continued)*

Year Ended 31 December 2015

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.



Caroline Roxburgh (Senior Statutory Auditor)

For and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
Edinburgh

30 June 2016

Kinnoull House Limited

Statement of Comprehensive Income

Year Ended 31 December 2015

	Note	2015 £	2014 £
Turnover	4	3,345,196	3,386,344
Cost of sales		<u>(630,359)</u>	<u>(774,711)</u>
Gross profit		2,714,837	2,611,633
Administrative expenses		<u>(446,742)</u>	<u>(418,039)</u>
Operating profit	5	2,268,095	2,193,594
Other interest receivable and similar income	8	28,172	24,165
Interest payable and similar charges	9	<u>(654,518)</u>	<u>(700,463)</u>
Profit on ordinary activities before taxation		1,641,749	1,517,296
Tax on profit on ordinary activities	10	<u>(288,983)</u>	<u>(368,107)</u>
Profit for the financial year		<u>1,352,766</u>	<u>1,149,189</u>
Fair value movements on cash flow hedging instruments, net of tax		222,836	78,379
Total comprehensive income for the year		<u>1,575,602</u>	<u>1,227,568</u>

All the activities of the company are from continuing operations.

The notes on pages 11 to 21 form part of these financial statements.

Kinnoull House Limited

Statement of Financial Position

As at 31 December 2015

	Note	2015 £	2014 £
Fixed assets			
Tangible assets	12	13,470,997	13,765,561
Current assets			
Debtors: due within one year	13	359,074	395,029
Debtors: due after more than one year	13	124,841	197,889
Cash at bank and in hand		5,609,909	5,128,970
		<u>6,093,824</u>	<u>5,721,888</u>
Creditors: amounts falling due within one year	14	<u>(2,141,691)</u>	<u>(1,953,868)</u>
Net current assets		<u>3,952,133</u>	<u>3,768,020</u>
Total assets less current liabilities		<u>17,423,130</u>	<u>17,533,581</u>
Creditors: amounts falling due after more than one year	15	<u>(7,316,835)</u>	<u>(8,849,621)</u>
Provisions			
Taxation including deferred tax	17	<u>(755,230)</u>	<u>(853,497)</u>
Net assets		<u>9,351,065</u>	<u>7,830,463</u>
Capital and reserves			
Called up share capital	19	134,000	134,000
Hedging reserve	20	(568,722)	(791,558)
Retained earnings	20	9,785,787	8,488,021
Shareholders' funds		<u>9,351,065</u>	<u>7,830,463</u>

These financial statements were approved by the board of directors and authorised for issue on 30 June 2016, and are signed on behalf of the board by:



David Gilmour
Director

Company registration number: SC190800

The notes on pages 11 to 21 form part of these financial statements.

Kinnoull House Limited

Statement of Changes in Equity

Year Ended 31 December 2015

		Called up share capital £	Hedging reserve £	Retained earnings £	Total £
At 1 January 2014		134,000	(869,937)	7,617,712	6,881,775
Profit for the year				1,149,189	1,149,189
Other comprehensive income for the year:					
Fair value movements on cash flow hedging instruments, net of tax		—	78,379	—	78,379
Total comprehensive income for the year		—	78,379	1,149,189	1,227,568
Dividends paid and payable	11	—	—	(278,880)	(278,880)
Total investments by and distributions to owners		—	—	(278,880)	(278,880)
At 31 December 2014		134,000	(791,558)	8,488,021	7,830,463
Profit for the year				1,352,766	1,352,766
Other comprehensive income for the year:					
Fair value movements on cash flow hedging instruments, net of tax		—	222,836	—	222,836
Total comprehensive income for the year		—	222,836	1,352,766	1,575,602
Dividends paid and payable	11	—	—	(55,000)	(55,000)
Total investments by and distributions to owners		—	—	(55,000)	(55,000)
At 31 December 2015		134,000	(568,722)	9,785,787	9,351,065

Included in the fair value movement on cash flow hedging instruments is £341,306 (2014: £373,623) that was recycled through Interest Payable in the statement of comprehensive income.

The notes on pages 11 to 21 form part of these financial statements.

Kinnoull House Limited

Notes to the Financial Statements

Year Ended 31 December 2015

1. Statement of compliance

The individual financial statements of Kinnoull House Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

2. General information

Kinnoull House Limited ('the company') is incorporated and domiciled in the UK. The address of its registered office is 2nd Floor, 11 Thistle Street, EH2 1DF.

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.

The company's functional and presentation currency is the pound sterling.

3. Accounting policies

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed further in the accounting policies.

The accounting policies stated below have been consistently applied to the years presented, unless otherwise stated.

Transition to FRS 102

The entity transitioned from previous UK GAAP to FRS 102 as at 1 January 2014. Details of how FRS 102 has affected the reported financial position and financial performance is given in note 23.

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of BIIF Holdco Limited which can be obtained from Companies House. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) No cash flow statement has been presented for the company.
- (b) Disclosures in respect of financial instruments have not been presented.

Kinnoull House Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2015

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

i) Hedge accounting and consideration of the fair value of derivative financial instruments

The Company uses derivative financial instruments to hedge certain economic exposures in relation to movements in interest rates as compared with the position that was expected at the date the underlying transaction being hedged was entered into. The Company fair values its derivative financial instruments and records the fair value of those instruments on its balance sheet. No market prices are available for these instruments and consequently the fair values are derived using financial models developed by the shareholders based on counterparty information that is independent of the Company, but use observable market data in respect of interest rates as an input to valuing those derivative financial instruments. There is also a judgement on whether an economic hedge relationship exists in order to achieve hedge accounting. Appropriate documentation has been prepared detailing the economic relationship between the hedging instrument and the underlying loan being hedged.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty are as follows:

i) Impairment of assets

The carrying value of those assets recorded in the Company's balance sheet, at amortised cost, could be materially reduced where circumstances exist which might indicate that an asset has been impaired and an impairment review is performed. Impairment reviews consider the fair value and or value in use of the potentially impaired asset or assets and compares that with the carrying value of the asset or assets in the balance sheet. Any reduction in value arising from such a review would be recorded in the statement of comprehensive income. Impairment reviews involve the significant use of assumptions. Consideration has to be given as to the price that could be obtained for the asset or assets, or in relation to a consideration of value in use, estimates of the future cash flows that could be generated by the potentially impaired asset or assets, together with a consideration of an appropriate discount rate to apply to those cash flows.

Revenue recognition

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

Kinnoull House Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2015

3. Accounting policies *(continued)*

Income tax

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

i) Current Tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is also recognised on the revaluations of derivative financial instruments, with the movements going through the statement of comprehensive income.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the deferred tax asset or liability.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Buildings	- 4% straight line
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Kinnoull House Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2015

3. Accounting policies *(continued)*

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense. Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset.

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price and subsequently at amortised cost, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the statement of comprehensive income. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Kinnoull House Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2015

3. Accounting policies *(continued)*

Financial instruments *(continued)*

Hedge Accounting

The Company has entered into an arrangement with third parties that is designed to hedge future cash flows arising on variable rate interest loan arrangements, with the net effect of exchanging the cash flows arising under those arrangements for a stream of fixed interest cash flows ("interest rate swaps").

To qualify for hedge accounting, documentation is prepared specifying the hedging strategy, the component transactions and methodology used for effectiveness measurement. Changes in the carrying value of financial instruments that are designated and effective as hedges of future cash flows ("cash flow hedges") are recognised directly in a hedging reserve in equity and any ineffective portion is recognised immediately in the statement of comprehensive income. Amounts deferred in equity in respect of cash flow hedges are subsequently recognised in the statement of comprehensive income in the same period in which the hedged item affects net profit or loss or the hedging relationship is terminated and the underlying position being hedged has been extinguished.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of six months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Tangible Fixed Assets

The company has taken the transition exemption in FRS 102 Section 35.10(i) that allows the company to continue the service concession arrangement accounting policies from previous UK GAAP.

The company is accounting for the concession asset based on the inability to substantially transfer all the risks and rewards of ownership to the customer, with this arrangement the costs incurred by the company on the design and construction of the assets have been treated as a fixed asset within these financial statements.

4. Turnover

Turnover arises from:

	2015 £	2014 £
Services	<u>3,345,196</u>	<u>3,386,344</u>

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

Kinnoull House Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2015

5. Operating profit

Operating profit or loss is stated after charging:

	2015 £	2014 £
Depreciation of tangible assets	<u>294,564</u>	<u>294,564</u>

6. Auditors' remuneration

	2015 £	2014 £
Fees payable for the audit of the financial statements	<u>10,006</u>	<u>9,057</u>

Included in the fee above is £2,074 (2014: £1,839) for the audit of the immediate parent entity Kinnoull House Holdings Limited.

7. Particulars of employees and directors

The average number of persons employed by the company during the financial year, including the directors, amounted to nil (2014: nil). The directors did not receive any remuneration from the Company during the year (2014: £nil).

8. Other interest receivable and similar income

	2015 £	2014 £
Interest on cash and cash equivalents	<u>28,172</u>	<u>24,165</u>

9. Interest payable and similar charges

	2015 £	2014 £
Interest on bank loans and overdrafts	470,057	508,070
Interest due to Group undertakings	<u>184,461</u>	<u>192,393</u>
	<u>654,518</u>	<u>700,463</u>

10. Tax on profit on ordinary activities

Major components of tax expense

	2015 £	2014 £
Current tax:		
UK current tax expense	387,250	381,217
Deferred tax:		
Origination and reversal of timing differences	(14,265)	(13,110)
Adjustment in respect of previous periods	(261)	–
Effect of changes in tax rates	<u>(83,741)</u>	<u>–</u>
Total deferred tax	<u>(98,267)</u>	<u>(13,110)</u>
Tax on profit on ordinary activities	<u>288,983</u>	<u>368,107</u>

Kinnoull House Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2015

10. Tax on profit on ordinary activities *(continued)*

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2014: higher than) the standard rate of corporation tax in the UK of 20.25% (2014: 21.49%).

	2015 £	2014 £
Profit on ordinary activities before taxation	<u>1,641,749</u>	<u>1,517,296</u>
Profit on ordinary activities by rate of tax	332,398	326,115
Adjustment to tax charge in respect of prior periods	(261)	(1,093)
Effect of expenses not deductible for tax purposes	40,587	43,085
Effect of different UK tax rates on some earnings	<u>(83,741)</u>	<u>-</u>
Tax on profit on ordinary activities	<u>288,983</u>	<u>368,107</u>

Factors that may affect future tax expense

On 26 October 2015, a reduction in the UK corporation tax rate from 20% to 18% was substantively enacted. The reduction is to take effect in two stages from 1 April 2017 (19%) and then from 1 April 2020 (18%). As a result, relevant deferred tax balances have been re-measured at the rate at which the majority of the deferred tax balance is expected to unwind

This change has reduced the deferred tax liability at the balance sheet date by £103,703.

In his Budget speech on 16 March 2016 the Chancellor of the Exchequer proposed that the above UK corporation tax rate of 18% effective from 1 April 2020 be further reduced to 17%. This change had not been substantively enacted at the balance sheet date and therefore is not recognised in these financial statements. If enacted, the change would reduce the deferred tax liability at the balance sheet by £51,852.

11. Dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2015 £	2014 £
Interim dividend of £0.41 (2014: £2.08) per ordinary share	<u>55,000</u>	<u>278,880</u>

Kinnoull House Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2015

12. Tangible assets

	Land and buildings £
Cost	
At 1 Jan 2015 and 31 Dec 2015	17,982,476
Depreciation	
At 1 January 2015	4,216,915
Charge for the year	294,564
At 31 December 2015	4,511,479
Carrying amount	
At 31 December 2015	13,470,997
At 31 December 2014	13,765,561

13. Debtors

Debtors falling due within one year are as follows:

	2015 £	2014 £
Trade debtors	348,151	384,269
Prepayments and accrued income	6,858	6,695
Other debtors	4,065	4,065
	359,074	395,029

Debtors falling due after one year are as follows:

	2015 £	2014 £
Deferred tax asset	124,841	197,889

14. Creditors: amounts falling due within one year

	2015 £	2014 £
Bank loans and overdrafts	1,163,857	1,055,779
Trade creditors	3,558	81,423
Amounts owed to group undertakings	517,794	506,095
Accruals and deferred income	306,631	177,987
Social security and other taxes	149,851	132,584
	2,141,691	1,953,868

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.

Kinnoull House Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2015

15. Creditors: amounts falling due after more than one year

	2015 £	2014 £
Bank loans and overdrafts	5,301,141	6,464,898
Amounts owed to group undertakings	1,322,131	1,395,276
Derivative financial liability	693,563	989,447
	<u>7,316,835</u>	<u>8,849,621</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. Amounts owed to group undertakings are loans that 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.

16. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2015 £	2014 £
Included in debtors (note 13)	124,841	197,889
Included in provisions (note 17)	(755,230)	(853,497)
	<u>(630,389)</u>	<u>(655,608)</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2015 £	2014 £
Accelerated capital allowances	(755,230)	(853,497)
Deferred tax - Derivative financial instruments	124,841	197,889
	<u>(630,389)</u>	<u>(655,608)</u>

The net deferred tax liability expected to reverse in 2016 is £14,091. This relates to the reversal of timing differences on capital allowances.

17. Provisions

	Deferred tax (note 16) £
At 1 January 2015 and 31 December 2015	<u>755,230</u>

18. Financial instruments

The fair values of the interest rate swap have been calculated by discounting the fixed cash flows at forecasted forward interest rates over the term of the financial instrument. The bank borrowing and finance debtor are both held at amortised cost.

Kinnoull House Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2015

19. Called up share capital

Issued, called up and fully paid

	2015		2014	
	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.

20. Reserves

Hedging reserve - This reserve records fair value movements on cash flow hedging instruments.

Retained earnings - This reserve records retained earnings and accumulated losses.

21. Related party transactions

The company is wholly owned by Kinnoull House Holdings Limited and has taken advantage of the exemption in section 33 of FRS 102 'Related Party Disclosures', that allows it not to disclose transactions with wholly owned members of a group.

22. Controlling party

The immediate parent undertaking is Kinnoull House Holdings Limited.

The intermediate parent undertaking is BIIF Holdco Limited, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of BIIF Holdco Limited consolidated financial statements can be obtained from the Company Secretary at Cannon Place, 78 Cannon Street, London, EC4N 6AF.

The ultimate parent and controlling party is BIIF L.P. BIIF L.P. is owned by a number of investors with no one investor having individual control.

Kinnoull House Limited

Notes to the Financial Statements *(continued)*

Year Ended 31 December 2015

23. Transition to FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements under previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 December 2014 and the total equity as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and FRS 102.

Profit for the financial year		31 December 2014	
		£	
UK GAAP - As previously reported		1,149,189	
FRS 102		<u>1,149,189</u>	
Other Comprehensive Income		31 December 2014	
		£	
UK GAAP - As previously reported		—	
Derivative financial instrument	A	97,974	
Deferred tax impact of adjustments	B		
- Derivative financial instruments		(19,595)	
FRS 102		<u>78,379</u>	
Total Equity		1 January 2014	31 December 2014
		£	£
UK GAAP - As previously reported		7,751,712	8,622,021
Derivative Financial Instruments	A	(1,087,421)	(989,447)
Deferred taxation	B	217,484	197,889
FRS 102		<u>6,881,775</u>	<u>7,830,463</u>

A Derivative Financial Instruments

FRS 102 requires derivative financial instruments to be recognised at fair value. This requires the instrument to be brought onto the balance sheet, the company has adopted hedge accounting limiting the impact of fair value movements in the profit or loss. Previously under UK GAAP the company did not recognise these instruments in the financial statements. Accordingly at transition a liability of £1,087,421 was recognised and a gain of £97,974 was recognised in the statement of comprehensive income for the year ended 31 December 2014. A liability of £989,447 was recognised at that date.

B Deferred Taxation

The company has accounted for deferred taxation on transition as follows:

(a) Derivative financial instruments – Deferred tax of £217,484 has been recognised at 20% on the liability recognised on transition at 1 January 2014. In the year ended 31 December 2014 the company has recognised a debit of £19,595 in the statement of comprehensive income in respect of the decrease in the value of derivative financial instruments.