

**Report of the Directors and
Consolidated Financial Statements
For the year ended 31 December 2012
for
Kinnell Holdings Limited**

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Kinnell Holdings Limited

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For the year ended 31 December 2012**

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Kinnell Holdings Limited

**Company Information
For the year ended 31 December 2012**

DIRECTOR: P Dawson
Mrs M Dawson

SECRETARY: Mrs L Wilson

REGISTERED OFFICE: 37 Carrick Street
Ayr
KA7 1NS

REGISTERED NUMBER: SC295513 (Scotland)

AUDITORS: Campbell Dallas LLP
Chartered Accountants
Registered Auditors
Titanium 1
King's Inch Place
Renfrew
PA4 8WF

Kinnell Holdings Limited

Report of the Directors For the year ended 31 December 2012

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2012.

PRINCIPAL ACTIVITY

The principal activity of the company in the period under review was that of a holding company. Full insurance underwriting capacity is the core business of the group together with the provision of Insurance Backed Guarantees and other 'Warranty' related insurances primarily to the building and remedial treatment industries.

REVIEW OF BUSINESS

The results for the period and financial position of the company are as shown in the annexed financial statements.

Kinnell Holdings Limited (The Kinnell Group) has ownership of four separate regulated firms and specific reviews of these companies are detailed in the business review section of each of those respective entities accounts.

In addition to the regulated firms, The Kinnell Group also have other interests that support its main activities.

The UK Trades Confederation group of companies has successfully integrated into one trading company – Confederation Holdings Limited. This has resulted in increased overall efficiency and the reduction of duplicated costs. Further actions, such as the restructuring of products and systems and the successful relocation of the office base to Liverpool means that the trading company is now well positioned to maintain and grow its client base. We anticipate a profit making year in 2013, which in turn means that dividend payments are forecast to be payable to Kinnell Holdings Limited in 2014.

The Remedial Company Limited, which carries out repair work on behalf of Guarantee Protection Insurance Limited as well as third party customers, made a profit in the 2012 year. In addition, the average claims cost incurred by Guarantee Protection Insurance Limited through its core glazing book has reduced. This has been achieved in part through actions taken by The Remedial Company Limited which included increased efficiencies within the team of service engineers employed, an upgrade to base IT systems and successful cost saving outsourcing agreed with a new network partner.

Bondpay Solutions Limited and Rewards Direct Limited remains relatively static, however are well placed for growth if required and there are several potential contracts in the pipeline that may deliver results during 2013.

Despite challenging trading conditions, the Directors are pleased to report an increase in the overall group profit in 2012, in comparison with a group loss incurred in 2011. We are pleased to state that it is forecast that this positive trend will continue into 2013.

Kinnell Holdings Limited

Report of the Directors

For the year ended 31 December 2012 (continued)

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2012.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2012 to the date of this report

P Dawson

M Dawson

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The directors are responsible for preparing 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 the group and of the profit or loss of the group 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 estimates that are reasonable and prudent;
- State whether applicable 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 and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and to 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Kinnell Holdings Limited

Report of the Directors

For the year ended 31 December 2012 (continued)

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

AUDITORS

The auditors Campbell Dallas LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:


.....

P Dawson Director

Date:13/9/13.....

Report of the Independent Auditors to the Members of Kinnell Holdings Limited

We have audited the financial statements of Kinnell Holdings Limited for the year ended 31 December 2012 on pages nine to thirty two. 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).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page five, 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 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.

Scope of the audit of 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 group's and the parent 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 Report of the Directors' to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatement or inconsistencies we consider the implications for our report.

**Report of the Independent Auditors to the Members of
Kinnell Holdings Limited**

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2012 and of the group's 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.

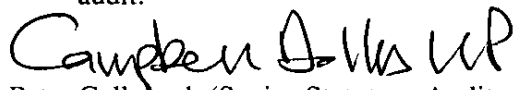
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company's 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.



Peter Gallanagh (Senior Statutory Auditor)

Campbell Dallas LLP

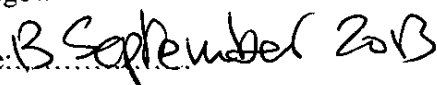
Chartered Accountants &

Registered Auditors

Titanium 1

King's Inch Place

Glasgow

Date: 

Kinnell Holdings Limited (Registered number:SC295513)

**Consolidated Profit and Loss Account
For the year ended 31 December 2012**

	Note	2012 £	2012 £	2011 £	2011 £
Technical account: general business earned premiums, net of reinsurance					
Gross premiums written			16,376,508		10,237,723
Outward reinsurance premiums			(1,360,742)		(1,082,458)
Premium acquisition costs			-		(25,000)
Change in provision for unearned premiums			(3,349,597)		(3,593,580)
Reinsurance claim			<u>54,765</u>		<u>-</u>
Earned premiums net of reinsurance			11,720,934		5,536,685
Claims paid and incurred		4,833,822		2,787,131	
Commissions		3,343,667		2,016,264	
Net operating expenses		2,455,915		1,099,593	
Other technical income		<u>-</u>		<u>(24,270)</u>	
			<u>(10,633,404)</u>		<u>(5,878,718)</u>
Balance on technical account for general business			1,087,530		(342,033)
Non-technical account					
Non insurance company turnover		3,168,246		3,662,442	
Cost of sales		(714,646)		(769,809)	
Investment income		54,863		88,680	
Other operating income		20,110		132,403	
Gain on foreign exchange		25,300		-	
Exceptional Item	4	-		243,240	
Realised gain on Investments		68,653		279,495	
Rental Income		-		23,470	
Interest receivable	5	194,217		77,404	
Unrealised gain on investment		(3,189)		(189,618)	
Property impairment		(77,599)		(50,000)	
Administration expenses		<u>(3,022,532)</u>		<u>(3,310,503)</u>	
Interest payable	6		(286,577) (12,987)		187,204 (19,124)
Profit/(Loss) on ordinary activities before tax			787,966		(173,953)
Tax on profit on ordinary	7		(375,946)		71,111
Profit/(Loss) for the financial year after taxation			412,020		(102,842)
Minority interest - equity			6,595		-
Retained profit/(loss) for the year			<u>405,425</u>		<u>(102,842)</u>

Kinnell Holdings Limited (Registered number:SC295513)

Consolidated Profit and Loss Account (Continued)

For the year ended 31 December 2012 Total recognised gains and losses

The group has no recognised gains or losses other than the profits for the current period and previous year.

The notes form part of these financial statements.

Kinnell Holdings Limited (Registered number:SC295513)

**Consolidated Balance Sheet
For the year ended 31 December 2012**

	Note	2012 £	2012 £	2011 £	2011 £
ASSETS					
Intangible assets	8		4,082,992		4,385,058
Tangible fixed assets	9		766,975		865,236
Investments	10		4,837,568		4,608,701
Debtors					
Debtors arising from direct insurance operations			2,346,008		1,186,913
Other Assets					
Cash at bank and in hand			12,858,918		8,081,561
Other debtors	11		1,362,352		1,249,160
Prepayments and accrued income			135,155		76,453
			<u>26,389,968</u>		<u>20,453,082</u>
LIABILITIES					
Capital and reserves					
Called up share capital	13	108		108	
Share premium account	14	1,442,848		1,442,848	
Profit and loss account	14	(383,367)		(788,792)	
Capital redemption reserve	14	210,607		210,607	
Shareholders' funds – equity interests	17		1,270,196		864,771
Technical provisions					
Provisions for unearned premiums		15,598,264		12,248,667	
Reinsurance premiums		-		-	
Claims outstanding		<u>2,344,023</u>		<u>1,193,904</u>	
			17,942,287		13,442,571
Creditors					
Creditors arising out of direct insurance operations		493,506		225,353	
Bank overdraft and loans	15	500		15,033	
Finance lease		25,075		25,427	
Other creditors	12	<u>2,735,380</u>		<u>2,008,272</u>	
			3,254,461		2,274,085
Accruals and deferred income			272,564		430,244
Provisions for liabilities and charges	16		2,367,828		2,140,248
Creditors falling due in more than one year	12		1,019,277		1,044,403
Minority interest	21		<u>263,355</u>		<u>256,760</u>
Total liabilities			<u>26,389,968</u>		<u>20,453,082</u>

The financial statements were approved by the Board of Directors on13/9/13
and were signed on its behalf by:

.....
Peter Dawson
Director

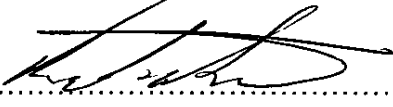
The notes form part of the financial statement.

Kinnell Holdings Limited (Registered number:SC295513)

**Company Balance Sheet
31 December 2012**

	Note	2012 £	2012 £	2011 £	2011 £
FIXED ASSETS					
Tangible assets	9		8,425		5,482
Investments	10		<u>7,837,473</u>		<u>7,837,373</u>
			7,845,898		7,842,855
CURRENT ASSETS					
Debtors	11	531,038		449,814	
Cash at bank		<u>180</u>		<u>414,607</u>	
		531,218		864,421	
CREDITORS					
Amounts falling due within one year	12	<u>6,162,685</u>		<u>6,220,691</u>	
NET CURRENT LIABILITIES			<u>(5,631,467)</u>		<u>(5,356,270)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			2,214,431		2,486,585
CREDITORS					
Amounts falling due after more than one year	12		1,000,000		1,000,000
NET ASSETS			<u>1,214,431</u>		<u>1,486,585</u>
CAPITAL AND RESERVES					
Called up share capital	13		108		108
Share premium	14		1,442,848		1,442,848
Profit and loss account	14		(228,525)		43,629
SHAREHOLDERS' FUNDS			<u>1,214,431</u>		<u>1,486,585</u>

The financial statements were approved by the Director on 13/8/13
and were signed by:


.....
Peter Dawson
Director

Kinnell Holdings Limited

**Consolidated Cash Flow Statement
For the year ended 31 December 2012**

	Note	Year ended 31.12.12		Year ended 31.12.11	
		£	£	£	£
Net cash flow					
From operating activities	1		4,888,178		3,779,601
Returns on investments and Servicing of finance	2		181,140		58,280
Taxation			24,004		(36,379)
Capital expenditure	2		(43,898)		(25,046)
			<u>5,049,424</u>		<u>3,776,456</u>
Financing	2		-		973,778
Investing activities	2		(232,056)		152,179
Increase in cash in period			<u>4,817,368</u>		<u>4,902,413</u>
Reconciliation of net cash flow To movement in net funds					
Increase in cash in period		4,817,368		4,902,413	
Cash inflow from increase in debt		<u>-</u>		<u>(973,778)</u>	
Change in net funds resulting From cash flows			4,817,368		3,928,635
Net funds from acquired businesses			-		-
Movement in funds in the period					
Net funds at 1 December			6,996,698		3,068,063
Net (debt)/funds at 31 December	3		<u>11,814,066</u>		<u>6,996,698</u>

Kinnell Holdings Limited

Notes to the Cash Flow Statement For the year ended 31 December 2012

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Year ended 31.12.12 £	Year ended 31.12.11 £
Operating profit/(loss)	606,826	(232,233)
Depreciation charges	346,892	361,341
Unrealised (gain)/loss on investments	3,189	189,618
Loss on disposal of subsidiary	19,734	-
Impairment of investment property	77,599	50,000
Exceptional item	-	(243,240)
Movement in administration provision	220,576	(262,299)
(Increase)/Decrease in debtors	(1,330,989)	(1,204,685)
Increase in creditors	4,944,351	5,121,099
Net cash inflow from operating activities	4,888,178	3,779,601

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	Year ended 31.12.12 £	Year ended 31.12.11 £
Returns on investments and servicing of finance		
Interest received	194,127	77,404
Interest paid	(12,987)	(19,124)
Net cash inflow/(outflow) for returns on investments and servicing Of finance	181,140	58,280
Capital expenditure		
Purchase of tangible fixed assets	(43,898)	(25,046)
Sale of tangible fixed assets	-	-
Net cash outflow from operating activities	(43,898)	(25,046)
Financing		
New loans in period	-	1,000,000
Loan repayments in period	-	(26,222)
Net cash inflow/(outflow)outflow from financing	-	973,778
Investing activities		
Purchase of investments	(232,056)	(347,821)
Sale of investments	-	-
Disposal of part interest in subsidiary	-	500,000
Issue of shares	-	-
	(232,056)	152,179

Kinnell Holdings Limited

Notes to the Cash Flow Statement For the year ended 31 December 2012

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.12	On Acquisition	Cash Flow	At 31.12.12
	£	£	£	£
Net Cash:				
Cash at bank and in hand	8,081,561	-	4,777,357	12,858,918
Bank overdrafts	(15,033)	-	14,533	(500)
	<u>8,066,528</u>	<u>-</u>	<u>4,791,890</u>	<u>12,858,418</u>
Debt:				
Finance leases	(69,830)	-	25,478	(44,352)
Debts falling due within one year	(1,000,000)	-	-	(1,000,000)
Debts falling due after one year	-	-	-	-
	<u>(1,069,830)</u>	<u>-</u>	<u>25,478</u>	<u>(1,044,352)</u>
	<u>6,996,698</u>	<u>-</u>	<u>4,817,368</u>	<u>11,814,066</u>

Kinnell Holdings Limited

Notes to the financial statements for the year ended 31 December 2012

1. Accounting policies

The financial statements have been prepared under the historical cost convention, except for the revaluation of investments, and are in accordance with applicable accounting standards and Statutory Instrument 2008 Number 410 Schedule 3 applicable to insurance companies.

The requirements of the Statement of Recommended Practice on accounting for insurance business issued by the Association of British Insurers have been adopted.

Basis of Consolidation

The consolidated financial statements incorporate the results of Kinnell Holdings Limited and all of its subsidiaries as at 31 December 2012. The acquisition method of accounting has been used; therefore the results of the subsidiary undertakings are included from the date of acquisition.

Premiums receivable

Gross premiums comprise the total premiums incepted during the year regardless of whether such amounts may relate in whole or part to a later financial year end and exclude insurance premium tax.

Unearned premiums

Unearned premiums represent the proportion of premiums written in the year which is estimated to be earned in subsequent financial years. This is computed on a basis which reflects the company's statistical experience of claims incurred over the term of policies.

Claims

Claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years. The provision for claims outstanding is made on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date.

Unexpired risks

Provision is made for any excess over the provision for unearned premiums for claims and administrative expenses likely to arise after the year end from contracts concluded before the date. The assessment of whether a provision is necessary is made by considering information available at the balance sheet date.

Turnover

Insurance backed guarantees -

Turnover represents commission receivable on warranties sold. Income is recognised at the time of inception of a policy with a provision made for administration costs to be incurred in relation to the policy based on claims records.

Kinnell Holdings Limited

Notes to the financial statements for the year ended 31 December 2012

Other businesses -

Turnover represents net invoiced sales of services, excluding value added tax.

Profit for the financial year

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £272,154 (2011 – loss £254,414).

Goodwill

Positive purchased goodwill arising on acquisitions is capitalised, classified as an asset on the Balance Sheet and amortised over its estimated useful life of 20 years. This length of time is presumed to be the maximum useful life of purchased goodwill. Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently as and when necessary if circumstances emerge that indicate that the carrying value may not be recoverable.

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all fixed assets, evenly over their expected useful lives. It is calculated at the following rates –

Freehold property	-	2% on cost per annum
Improvements to property	-	20% on cost per annum
Fixtures and fittings	-	15-20% on reducing balance per annum
Office equipment	-	15% on reducing balance per annum
Computer equipment	-	over 3 year's straight line
Intangible assets	-	over 20 year's straight line

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Investments

Fixed asset investments are shown at cost less amount written off for any permanent diminution in value.

Kinnell Holdings Limited

Notes to the financial statements for the year ended 31 December 2012

Valuation of listed investments

All investments are valued at their market value at 31 December 2012, determined as follows:

- Unit trust and managed fund investments are stated at the mid-point of the latest prices quoted by the managers prior to 31 December 2012.

Investment income and expenses

Investment income includes interest, gains and losses on the realisation of investments and related expenses and is dealt with in the non-technical account.

Investment gains and losses

Realised gains and losses on investments are calculated as the difference between net sales proceeds and purchase price or, if previously valued, the valuations at the last balance sheet date. Unrealised gains and losses that represent the movement in accumulated unrealised gains and losses are taken to the non-technical account.

Foreign currencies

Assets and liabilities in foreign currencies are translated into Sterling at the rate of exchange rating at the balance sheet date. Transactions in foreign currencies are translated into Sterling at the rate of exchange rating at the date of the transaction. Exchange differences are taken into account in arriving at the operating result.

Pension costs and other post-retirement benefits

The group operates a defined contribution pension scheme. Contributions payable to the company pension scheme are charged to the profit and loss account in the period to which they relate.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Deferred tax is provided at the average rates that are expected to apply when the timing differences reverse, based on current tax rates and laws. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets and liabilities are not discounted.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Insurance broking assets and liabilities

Insurance brokers usually act as agents in placing the insurable risks of their clients with the insurers and, as such, generally are not liable as principles for amounts arising from such transactions. Notwithstanding these legal relationships, debtors and creditors arising from insurance broking transactions are shown as assets and liabilities. This recognises that the insurance broker is entitled to retain the investment income on any cash arising from these transactions.

Kinnell Holdings Limited

Notes to the financial statements for the year ended 31 December 2012

Insurance broking debtors arising from a transaction between clients and insurers are recorded simultaneously. Consequently, there is a high level of correlation between the totals reported in respect of insurance broking debtors and insurance broking creditors.

The position of the insurance broker as agent means that generally the credit risk is borne by the principals. There can be circumstances where the insurance broker acquires credit risk - through statute, or through the act or omission of the insurance broker or one of the principals.

There is much legal uncertainty surrounding the circumstances and the extent of such exposures and consequently they cannot be evaluated. However, the total of insurance broking debtors appearing in the balance sheet is not an indication of credit risk.

It is normal practice for insurance brokers to settle accounts with other intermediaries, clients, insurers and market settlement bureaux on a net basis. Thus, large changes in both insurance broking debtors and creditors can result from comparatively small cash settlements. For this reason, the total of insurance broking debtors and creditors give no indication of future cash flows.

The legal status of settling accounts on a net basis is uncertain and in the event of an insolvency it is generally abandoned. Financial Reporting Standard 5 "Reporting the substance of transactions" (FRS5) requires that offset of assets and liabilities should be recognised in financial statements where, and only where the offset would survive the insolvency of the other party. Accordingly, only such offsets have been recognised in calculating insurance broking debtors and creditors.

2. STAFF COSTS

	Year ended 31.12.12 £	Year ended 31.12.11 £
Wages and salaries	2,046,202	2,077,753
Social security costs	209,921	211,620
Other pension costs	70,410	68,507
	<u>2,326,533</u>	<u>2,357,880</u>

The average monthly number of employees during the year was as follows:

78

76

Kinnell Holdings Limited

Notes to the financial statements for the year ended 31 December 2012

3. OPERATING PROFIT

	Year ended 31.12.12 £	Year ended 31.12.11 £
The operating (loss)/profit is stated after charging/(crediting):		
Depreciation – owned assets	37,913	51,128
Depreciation - finance lease	26,647	26,648
Goodwill amortisation	282,332	283,565
Auditors remuneration – parent company	8,812	8,812
Auditors remuneration – subsidiary companies	54,623	54,226
Auditors – Non-audit - taxation	6,000	5,857
Foreign currency (gain)/loss	<u>(23,040)</u>	<u>15,595</u>
Directors emoluments	258,472	218,580
Directors pension	<u>48,000</u>	<u>48,000</u>

Information regarding the highest paid director for the year ended 31 December 2012 is as follows:

	2012 £	2011 £
Emoluments etc	199,462	160,477
Pension contributions to money purchase schemes	<u>24,000</u>	<u>24,000</u>

4. EXCEPTIONAL ITEMS

The exceptional item in 2011 represents the disposal of 9.9% of an interest in Millburn Insurance Company Limited by the issue of additional shares.

5. INTEREST RECEIVABLE

	Year ended 31.12.12 £	Year ended 31.12.11 £
Bank interest	194,217	72,349
Loan interest	-	5,055
	<u>194,217</u>	<u>77,404</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31.12.12 £	Year ended 31.12.11 £
Bank interest	24	8
Other loans	8,218	14,891
Other interest charges	4,745	4,225
	<u>12,987</u>	<u>19,124</u>

Kinnell Holdings Limited

Notes to the financial statements for the Year ended 31 December 2012

7. TAXATION

	Year ended 31.12.12 £	Year ended 31.12.11 £
Analysis of tax charge		
The tax charge on profits on ordinary activities for The period was as follows:		
Current tax		
UK corporation tax	368,942	(62,212)
Deferred tax	<u>7,004</u>	<u>(8,899)</u>
Tax on profit on ordinary activities	<u>375,946</u>	<u>(71,111)</u>

Factors affecting the tax (credit)/charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2012 £	2011 £
Profit/(loss) on ordinary activities before tax	<u>787,966</u>	<u>(173,953)</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26% (2011: 28%)	204,871	(48,707)
Effects of:		
Disallowable expenses	62,790	11,040
Capital allowances in excess of depreciation	26,259	35,183
Adjustments in respect of prior periods	(3,141)	(67,169)
Rate adjustment	(3,495)	(9)
Use of losses	<u>81,658</u>	<u>7,450</u>
	<u>368,942</u>	<u>(62,212)</u>

Kinnell Holdings Limited

Notes to the financial statements for the Year ended 31 December 2012

8. INTANGIBLE FIXED ASSETS

	Goodwill £
Group cost	
At 1 January 2012	5,671,322
Additions	-
Disposals	(24,666)
At 31 December 2012	<u>5,646,656</u>
Depreciation	
At 1 January 2012	1,286,264
Charge for period	282,332
Eliminated on disposal	(4,932)
At 31 December 2011	<u>1,563,664</u>
Net book value	
At 31 December 2012	<u>4,082,992</u>
At 1 January 2012	<u>4,385,058</u>

Kinnell Holdings Limited

Notes to the financial statements for the year ended 31 December 2012

9.

Group cost	Investment Property £	Improvement to Property £	Fixtures & Fittings £	Office Equipment £	Computer Equipment £	Motor vehicles £	Total £
At 1 January 2012	672,054	46,471	370,992	46,366	24,479	133,239	1,293,601
Additions	-	1,868	17,786	9,258	14,986	-	43,898
Disposals	-	-	(6,949)	(17,418)	(9,664)	-	(34,031)
Impairment	(77,599)	-	-	-	-	-	(77,599)
At 31 December 2012	594,455	48,339	381,829	38,206	29,801	133,239	1,225,869
Depreciation							
At 1 January 2012	-	39,087	269,421	37,386	21,321	61,150	428,365
Charge for period	-	7,758	21,124	3,925	5,106	26,647	64,560
Disposals	-	-	(6,949)	(17,418)	(9,664)	-	(34,031)
At 31 December 2012	-	46,845	283,596	23,893	16,763	87,797	458,894
Net Book Value							
At 31 December 2012	594,455	1,494	98,233	14,313	13,038	45,442	766,975
At 1 January 2012	672,054	7,384	101,571	8,980	3,158	72,089	865,236

Kinnell Holdings Limited

**Notes to the financial statements
for the year ended 31 December 2012**

**TANGIBLE FIXED ASSETS
(CONTINUED)**

Company cost	Freehold Property £	Improvement to Property £	Fixtures & Fittings £	Office Equipment £	Computer Equipment £	Total £
At 1 January 2012	-	-	13,708	-	-	13,708
On acquisition	-	-	-	-	-	-
Additions	-	-	5,609	-	-	5,609
Disposals	-	-	-	-	-	-
At 31 December 2012	-	-	19,317	-	-	19,317
Depreciation						
At 1 January 2012	-	-	8,226	-	-	8,226
On acquisition	-	-	2,666	-	-	2,666
Charge for period	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At 31 December 2012	-	-	10,892	-	-	10,892
Net Book Value						
At 31 December 2012	-	-	8,425	-	-	8,425
At 1 January 2012	-	-	5,482	-	-	5,482

Kinnell Holdings Limited

Notes to the financial statements for the year ended 31 December 2012

10.

	Shares in group undertakings £
Company	
COST	
At 1 January 2012	7,867,173
Additions	100
Disposals	-
Transfers	-
At 31 December 2012	<u>7,867,273</u>
PROVISIONS	
At 1 January 2012	29,800
Provision for period	-
At 31 December 2012	<u>29,800</u>
NET BOOK VALUE	
At 31 December 2012	<u>7,837,473</u>
At 31 January 2012	<u>7,837,373</u>

The company's investments at the balance sheet date in the share capital of companies include the following:

Warranty Services Limited

Nature of business: Administration of insurance backed guarantees

	%
Class of shares:	Holding
Ordinary	100.00

Kinnell Corporate Limited

Nature of business: Insurance Brokers

	%
Class of shares:	Holding
Ordinary	100.00

Kinnell Holdings Limited

Notes to the financial statements for the year ended 31 December 2012

FIXED ASSET INVESTMENTS (CONTINUED)

Millburn Insurance Company Limited

Nature of business: FSA authorised insurer

	%
Class of shares:	Holding
Ordinary	90.1%
Redeemable ordinary	100.00

Guarantee Protection Insurance Limited

Nature of business: FSA authorised insurer

	%
Class of shares:	Holding
Ordinary	100.00

The Remedial Company Limited

Nature of business: Repair work

	%
Class of shares:	Holding
Ordinary	100.00

Confederation Holdings Limited

Nature of business: Dormant

	%
Class of shares:	Holding
Ordinary	100.00

Kinnell Holdings Limited

Notes to the financial statements for the year ended 31 December 2012

FIXED ASSET INVESTMENTS (CONTINUED)

Confederation Marketing Limited

Nature of business: Trade association

	%
Class of shares:	Holding
Ordinary	100.00

Allied Trades Confederation Limited

Nature of business: Trade association

	%
Class of shares:	Holding
Ordinary	100.00

The UK Trades Association Limited

Nature of business: Trade association

	%
Class of shares:	Holding
Ordinary	100.00

The UK Trades Association (Services) Limited

Nature of business: Trade association

	%
Class of shares:	Holding
Ordinary	100.00

Rewards Direct Limited

Nature of business: Sale of membership discounts

	%
Class of shares:	Holding
Ordinary	100.00

Bondpay Solutions Limited

Nature of business: Guaranteeing payments between contractors and their customers

	%
Class of shares:	Holding
Ordinary	100.00

Kinnell Holdings Limited

Notes to the financial statements for the year ended 31 December 2012

FIXED ASSET INVESTMENTS (CONTINUED)

	Current Value		Cost	
	2012 £	2011 £	2012 £	2011 £
Group				
Shares and other variable yield securities	<u>4,837,568</u>	<u>4,608,701</u>	<u>4,516,542</u>	<u>4,381,809</u>

11. OTHER DEBTORS

	Group		Company	
	2012 £	2011 £	2012 £	2011 £
Trade debtors	271,658	211,569	-	-
Other loans	-	-	-	-
Claims debtors	-	115,588	-	-
Sundry debtors	1,087,794	916,726	258,925	314,272
VAT	2,900	5,277	-	22
Group balances	-	-	272,113	135,520
Directors current account	-	-	-	-
	<u>1,362,352</u>	<u>1,249,160</u>	<u>531,038</u>	<u>449,814</u>

Kinnell Holdings Limited

Notes to the financial statements for the year ended 31 December 2012

12. CREDITORS

Amounts falling due within one year

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Trade creditors	288,996	283,871	-	-
Arising out of reinsurance operations	-	105,159	-	-
Corporation tax	404,844	11,897	-	-
Amounts owed to group undertakings	-	-	4,903,407	4,834,621
Social security and other taxes	814,993	267,028	11,012	11,066
Other creditors	451,540	760,206	398,290	735,250
Directors current accounts	754,242	561,515	819,267	580,022
Bank overdraft	-	-	500	-
Accruals and deferred income	-	-	16,683	59,732
VAT	20,765	18,596	13,526	-
	<u>2,735,380</u>	<u>2,008,272</u>	<u>6,162,685</u>	<u>6,220,691</u>

Amounts falling due in more than one year

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Loan	1,000,000	1,000,000	1,000,000	1,000,000
Finance lease	19,277	44,403	-	-
	<u>1,019,277</u>	<u>1,044,403</u>	<u>1,000,000</u>	<u>1,000,000</u>

The loan is repayable in more than 5 years.

13. CALLED UP SHARE CAPITAL

	Number/ Class	Nominal Value	2012 £	2011 £
Authorised	20,000	£0.01	<u>200</u>	<u>200</u>
Ordinary				
Allotted, issued and fully paid	10,753	£0.01	<u>108</u>	<u>108</u>
Ordinary				

Kinnell Holdings Limited

Notes to the financial statements for the year ended 31 December 2012

14. OTHER RESERVES

	Group profit & loss account	Group & company share premium	Group capital redemption reserve	Company profit & loss account
	£	£	£	£
At 1 January 2012	(788,792)	1,442,848	210,607	43,629
Profit for period	405,425	-	-	(272,154)
At 31 December 2012	<u>(383,367)</u>	<u>1,442,848</u>	<u>210,607</u>	<u>(228,525)</u>

15. LOANS AND SECURED DEBTS

	2012 £	2011 £
Analysis of the maturity of loans is given below:		
Amounts falling due within one year or on demand		
Bank overdrafts	<u>500</u>	<u>15,033</u>

Bank borrowings are secured by a bond and floating charge over the assets of certain group companies and security over heritable property.

16. PROVISION FOR LIABILITIES

	2012 £	2011 £
Deferred taxation	23,291	16,287
Administration costs	2,344,537	2,123,961
	<u>2,367,828</u>	<u>2,140,248</u>

Kinnell Holdings Limited

Notes to the financial statements for the year ended 31 December 2012

16. PROVISION FOR LIABILITIES (continued)

	Deferred tax £	Other provisions	Total £
At 1 January 2012	16,287	2,123,961	2,140,248
Movement in period	7,004	220,576	227,580
At 31 December 2012	<u>23,291</u>	<u>2,344,537</u>	<u>2,367,828</u>

The balance at 31 December 2012 in respect of other provisions represents administration costs to be incurred in dealing with claims relating to policies in force at that date, based on claims records.

17. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
(Profit)/Loss for the financial period	405,425	(102,842)	(272,154)	(254,414)
Opening shareholders' funds	864,771	967,613	1,486,585	1,740,999
Closing shareholders' funds	<u>1,270,196</u>	<u>864,771</u>	<u>1,214,431</u>	<u>1,486,585</u>

18. ULTIMATE CONTROLLING PARTY

The company is controlled by Mr P Dawson.

19. RELATED PARTY DISCLOSURES

Included in creditors falling due within one year is £754,242 (2011: £561,515 debtor) due to Mr & Mrs Dawson by the group.

At 31 December 2012 £662,673 (2011: £676,987) is due to the group from Certass Limited, a company in which Mr Dawson is a shareholder.

Kinnell Holdings Limited

Notes to the financial statements for the year ended 31 December 2012

20. OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year:

	2012	2011
	£	£
Expiring -		
Between one and five years	<u>144,355</u>	<u>144,355</u>

21. MINORITY INTEREST

Minority interest represents a 9.9% interest in Millburn Insurance Company Limited arising from an issue of additional shares on 31 December 2011.

	2012	2011
	£	£
Balance at 1 January 2012	256,760	-
Provided on profit for year	6,595	-
On disposal of interest	-	256,760
At 31 December 2012	<u>263,355</u>	<u>256,760</u>