

Company Number 05202732

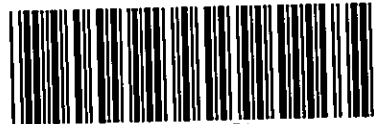
**KREOS CAPITAL II (UK) LIMITED**

Report and Financial Statements

Year Ended

30 November 2010

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# **KREOS CAPITAL II (UK) LIMITED**

## **Report and financial statements for the year ended 30 November 2010**

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### **Directors**

Nick Bland  
Edward Fletcher      (alternate director to Nick Bland)  
Mahen Surnam

### **Secretary and registered office**

SFM Corporate Services Limited  
35 Great St Helen's  
London  
EC3A 6AP

### **Company number**

05202732 (England and Wales)

### **Auditor**

Deloitte LLP  
Chartered Accountants and Registered Auditors  
St Helier  
Jersey  
JE4 8WA

## KREOS CAPITAL II (UK) LIMITED

### Report of the directors for the year ended 30 November 2010

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The directors present their report together with the audited financial statements of the Company for the year ended 30 November 2010

#### Principal activity, business review and future developments

The Company was incorporated on 10 August 2004 as Venture Leasing (UK) Limited and on 4 April 2007 the name of the Company was changed to Kreos Capital II (UK) Limited. The principal activity of the Company for the year was leasing equipment under finance leases to third parties (the "Sublease Rentals") from the proceeds of a head lease (the "Head Lease") made to the Company by Kreos Capital II Limited pursuant to a limited recourse lease agreement (the "Master Head Lease Framework Agreement").

#### Key Performance Indicators

The directors consider the following to be the Company's financial key performance indicators

	Year ended 30 November 2010	Year ended 30 November 2009
	€000	€000
Gross profit	565	666
Profit before tax	114	178
Net assets	649	562
Net cash outflow from operating activities	(503)	(1,665)

In the directors' opinion there have been no material events subsequent to the Balance sheet date.

#### Results and dividends

The profit and loss account is set out on page 7 and shows the results for the year.  
The directors do not recommend the payment of a dividend (2009: £Nil).

#### Going Concern

The directors of the Company anticipate that the company will continue to have sufficient resources available to remain in operation for a period significantly longer than 12 months from the date of approving these financial statements. As such the financial statements have been prepared on a going concern basis.

#### Issue of shares

The authorised and issued share capital of the Company consists of 2 ordinary shares of £1 each, which were subscribed for and issued to Kreos Capital II Limited on the date of incorporation.

## **KREOS CAPITAL II (UK) LIMITED**

### **Report of the directors for the year ended 30 November 2010**

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#### **Directors**

The directors of the Company during the year and subsequently were.

Rafe Morton	(resigned 21/06/2011)
Nick Bland	
Edward Fletcher	(appointed 06/05/2010, alternate director to Nick Bland)
David McGuinness	(resigned 06/05/2010)
Jeff Margolick	(alternate director to Rafe Morton, resigned 21/06/2011)
Mahen Surnam	(appointed 20/06/2011)

The directors of the Company had no beneficial interest in the share capital of the Company during or at the end of the year

None of the directors had any interest either during or at the end of the year in any material contract or arrangement with the Company

#### **Principal risks and uncertainties**

The directors believe that the Company's activities are principally exposed to financial risks including credit risk, cash flow risk and liquidity risk

## **KREOS CAPITAL II (UK) LIMITED**

### **Report of the directors for the year ended 30 November 2010 (*Continued*)**

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#### **Financial risk management objectives and policies (*continued*)**

##### **Credit risk**

There is a risk that the counterparties to lease contracts will default on their liability exposing the Company to credit risk. The Company has a limited credit risk, with exposure spread over a large number of counterparties and customers.

##### **Liquidity Risk**

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of long term interest free debt from the parent Company and receives monthly lease rental income.

##### **Cash flow risk**

Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

#### **Statement of directors' responsibilities**

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 2006 and applicable law and regulations.

Companies Act 2006 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 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, 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.

## KREOS CAPITAL II (UK) LIMITED

### Report of the directors for the year ended 30 November 2010 (*Continued*)

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#### Auditor

Each of the persons who is a director at the date of approval of this annual report confirms that

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue in office as auditor of the Company, and in accordance with Section 487 of the Companies Act 2006 are deemed reappointed and will continue in office

The directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption

#### On behalf of the Board



Nick Bland  
Director

Date 25/08/11

## **KREOS CAPITAL II (UK) LIMITED**

### **Independent auditor's report to the members of Kreos Capital II (UK) Limited**

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We have audited the financial statements of Kreos Capital II (UK) Limited for the year ended 30 November 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 18. 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 an auditor's report 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 Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 November 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

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

## KREOS CAPITAL II (UK) LIMITED

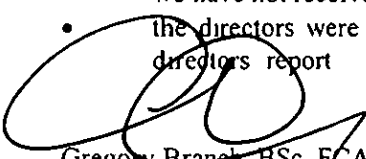
### Independent auditor's report to the members of Kreos Capital II (UK) Limited (*continued*)

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#### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors report



Gregory Branch, BSc FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
St Helier, Jersey

25 August 2011



**KREOS CAPITAL II (UK) LIMITED****Profit and loss account for the year ended 30 November 2010**

	Note	Year ended 30 November 2010 €	Year ended 30 November 2009 €
Turnover	2	10,580,854	30,751,243
Cost of Sales		(10,015,948)	(30,085,485)
Gross Profit		<u>564,906</u>	<u>665,758</u>
Other income	3	133,403	298,394
Interest receivable	4	1,399	23,524
Administrative expenses		(586,141)	(809,420)
<b>Profit on ordinary activities before taxation</b>	5	<u>113,567</u>	<u>178,256</u>
Taxation on profit on ordinary activities	7	(26,509)	(38,297)
Profit on ordinary activities after taxation	12	<u><u>87,058</u></u>	<u><u>139,956</u></u>

All amounts relate to continuing activities

There are no recognised gains or losses other than the result for the current and prior year, consequently no separate Statement of Total Recognised Gains or Losses has been prepared


The notes on pages 10 to 15 form part of these financial statements

# KREOS CAPITAL II (UK) LIMITED

## Balance sheet as at 30 November 2010

	Notes	As at 30 November 2010 €	As at 30 November 2009 €
<b>Current assets</b>			
Debtors	8	1 653,013	2,636,499
Cash and cash equivalents		1,614,201	2,115,850
<b>Total current assets</b>		<u>3,267,214</u>	<u>4,752,349</u>
<b>Creditors: amounts falling due within one year</b>	9	(1,277,368)	(1,400,329)
<b>Net current assets</b>		<u>1,989,846</u>	<u>3,352,020</u>
<b>Total assets less current liabilities</b>		<u>1,989,846</u>	<u>3,352,020</u>
<b>Creditors: amounts falling due after more than one year</b>	10	(1,341,109)	(2,790,341)
<b>Net assets</b>		<u>648,737</u>	<u>561,679</u>
<b>Capital and reserves</b>			
Called up share capital	11	3	3
Profit and loss account	12	648,734	561,676
<b>Total equity</b>		<u>648,737</u>	<u>561,679</u>

The financial statements were approved and authorised for issue by the Board on 25 August 2011

  
Nick Bland  
Director  
Company Number 05202732

**KREOS CAPITAL II (UK) LIMITED****Cash flow statement for the year ended 30 November 2010**

		<b>Year ended</b> <b>30 November</b> <b>2010</b> €	<b>Year ended</b> <b>30 November</b> <b>2009</b> €
	<b>Notes</b>	€	€
<b>Net cash outflow from operating activities</b>	14	(503,048)	(1,664,704)
<b>Returns on investments and servicing of finance</b>			
Interest received		1,399	23,524
<b>Decrease in cash in the year</b>	16	<u>(501,649)</u>	<u>(1,641,180)</u>

The notes on pages 10 to 15 form part of these financial statements

## KREOS CAPITAL II (UK) LIMITED

Notes forming part of the financial statements for the year ended 30 November 2010

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### 1 Accounting policies

#### *Accounting basis*

The financial statements are prepared in accordance with United Kingdom General Accepted Accounting Practice (UK GAAP) under the historical cost convention, and presented in Euro (€), unless otherwise stated

#### *Cash*

Cash comprises cash balances and call deposits with banks

#### *Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted

#### *Interest income*

The Company accounts for interest receivable on an accruals basis

#### *Interest payable*

Interest payable is accounted for on an accruals basis

#### *Turnover*

Turnover represents the sublease rentals written to third parties under the Company's Master Head Lease Framework Agreement, net of value added tax. Revenue is recognised over the period to which the sublease rentals relate, but provisions are made to the extent that it becomes probable that sublease rentals will not be received

#### *Going Concern*

While the recent turmoil in the international capital markets has materially and adversely affected the availability of credit – the “credit crunch,” – the Company does not need to raise external finance. Its business rationale and structure continue as originally envisaged in the transaction documentation entered into with each of the ultimate lessees, as detailed within the director's report and in the relevant notes to the financial statements. However, individual lessee companies may not be able to service their obligations to the Company, and this may lead to impairment of the Company's receivables, possibly driving a requirement to redeem external debt which is an important part of the parent Company's financing. In such circumstances, cash available to fund further investments may be restricted and the Company may need to reduce the level of its activity. The level of cash used for debt redemption would be limited to the cash received from lessee companies during future periods, and the directors therefore anticipate that the Company will continue to have sufficient financing available to continue operations for significantly longer than the next 12 months. As such the financial statements have been prepared on a going concern basis

## KREOS CAPITAL II (UK) LIMITED

Notes forming part of the financial statements for the year ended 30 November 2010 (Continued)

### 1 Accounting policies (continued)

#### *Foreign currencies*

Transactions in foreign currencies are recorded in Euro (€) at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gains or losses arising from a change in exchange rates subsequent to the date of the transaction are included as exchange gain or loss in the profit and loss account.

### 2 Turnover

	Year ended 30 November 2010 €	Year ended 30 November 2009 €
Rent receivable from Sublease before provisions	10,580,854	30,751,243
	<u>10,580,854</u>	<u>30,751,243</u>

### 3 Other income

Other Income comprises of the reimbursement from the ultimate lessees of certain professional and legal fees incurred by the Company in relation to the structuring, and occasional re-structuring, of lease agreements.

### 4 Interest receivable

	Year ended 30 November 2010 €	Year ended 30 November 2009 €
Bank interest received	1,399	23,524
	<u>1,399</u>	<u>23,524</u>

### 5 Profit on ordinary activities before taxation

This has been arrived at after charging

	Year ended 30 November 2010 €	Year ended 30 November 2009 €
Auditor's remuneration – audit services	15,000	15,000
Foreign exchange (gains)/losses	(49,004)	26,120

## KREOS CAPITAL II (UK) LIMITED

Notes forming part of the financial statements for the year ended 30 November 2010 (*Continued*)

### 6 Directors and employees

The Company had no employees during the year. Deutsche International Trust Corporation (CI) Limited received €3,129 (2009 - €24,494) remuneration from the Company in respect of director's fees for qualifying services rendered during the year.

### 7 Taxation on profit on ordinary activities

	Year ended 30 November 2010 €	Year ended 30 November 2009 €
a) Analysis of the current tax charge in the year		
UK corporation tax on the profit for the year	26,509	38,297

#### b) Factors affecting the current tax charge for the year -

The current tax charge for the period varies from standard rate of corporation tax in the UK of 28.00%

	Year ended 30 November 2010 €	Year ended 30 November 2009 €
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	113,567	178,256
Profit on ordinary activities at the standard rate of corporation tax in the UK of 28% (2009 - 28%)	31,799	49,912
Effect of Small companies relief	(7,950)	(11,615)
Adjustment for change in tax rate in prior years	2,660	-
Total current tax charge	26,509	38,297

No deferred tax has arisen during the year.

## KREOS CAPITAL II (UK) LIMITED

Notes forming part of the financial statements for the year ended 30 November 2010 (Continued)

### 8 Debtors

	As at 30 November 2010 €	As at 30 November 2009 €
Trade debtors	349,264	312,399
Prepayments	906,807	1,350,400
Other debtors	396,942	973,700
	<u>1,653,013</u>	<u>2 636,499</u>

### 9 Creditors, amounts falling due within one year

	As at 30 November 2010 €	As at 30 November 2009 €
Trade creditors	-	12,176
Income in advance	1,145,447	1,244,307
Other creditors	24,277	59,121
Accrued expenses	39,482	43,072
Corporation Tax	68,162	41 653
	<u>1,277,368</u>	<u>1,400,329</u>

Income in advance relates to month 36 lease income that was received before year end

### 10 Creditors: amounts falling due after more than one year

	As at 30 November 2010 €	As at 30 November 2009 €
Loan from Kreos Capital II Limited	1,341,109	2,790 341
	<u>1,341,109</u>	<u>2,790,341</u>

During the year the Company repaid €1,449,232 (2009 - €2,345,601) of a non interest bearing loan from Kreos Capital II Limited, a Company incorporated in Jersey and the ultimate controlling party of Kreos Capital II (UK) Limited. The amount does not have any specific repayment date but the directors do not expect this to be repaid within the next 12 months.

## KREOS CAPITAL II (UK) LIMITED

Notes forming part of the financial statements for the year ended 30 November 2010 (Continued)

### 11 Share capital

	As at 30 November 2010 €	As at 30 November 2009 €
<b>Authorised</b>		
2 ordinary shares of £1 each (Converted at historical rate of GBP EUR 1 499)	3	3
<b>Allotted, called up and fully paid</b>		
2 ordinary shares of £1 each (Converted at historical rate of GBP EUR 1 499)	3	3

The issued capital of the Company consists of 2 fully paid ordinary shares of £1 each issued to Kreos Capital II Limited on the incorporation date

### 12 Profit and loss account

	€
Opening balance	561,676
Profit for the year	87,058
Balance as at 30 November 2010	648,734

### 13 Reconciliation of movement in shareholders' funds

	As at 30 November 2010 €	As at 30 November 2009 €
Retained profit for the year	87,058	139,959
	87,058	139,959
Opening shareholders' funds	561,679	421,720
Closing shareholders' funds	648,737	561,679

### 14 Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 30 November 2010 €	Year ended 30 November 2009 €
Operating profit before tax	113,567	178,256
Decrease in debtors	983,486	2,710,805
Decrease in creditors	(1,598,702)	(4,530,241)
Interest income	(1,399)	(23,524)
Net cash outflow from operating activities	(503,048)	(1,664,704)



## KREOS CAPITAL II (UK) LIMITED

Notes forming part of the financial statements for the year ended 30 November 2010 (Continued)

### 15 Reconciliation of net cash flow to movement in net debt

	As at 30 November 2010 €	As at 30 November 2009 €
Decrease in cash for the year	(501,649)	(1,641,180)
Cash outflow from intercompany loan	1,348,708	2,446,125
Change in net debt resulting from cash flows	847,059	804,945
Opening net debt	(573,967)	(1,378,912)
Net debt at 30 November	(273,092)	(573,967)

### 16 Analysis of changes in net debt

	At 30 November 2009 €	Cash flow €	Other non-cash movements €	At 30 November 2010 €
Cash at bank	2,115,850	(501,649)	-	1,614,201
Intercompany loan	(2,689,817)	1,348,708	-	(1,341,109)
Total net debt	(573,967)	847,059	-	(273,092)

### 17 Related party transactions

The Company is wholly owned by and consolidated within the consolidated financial statements of Kreos Capital II Limited. Accordingly, the Company has taken advantage of the exemption permitted by Financial Reporting Standard Number 8 not to disclose transactions with other undertakings within its qualifying group on the basis that consolidated group accounts containing the results of the Company are publicly available.

### 18 Controlling party

At 30 November 2010, the entire issued share capital of the Company is held by Kreos Capital II Limited.

The largest and smallest group in which the results of the Company are consolidated is that headed by the Company's immediate and ultimate parent undertaking and controlling party, Kreos Capital II Limited, a Company incorporated in Jersey. The consolidated accounts of this group will be available to the public and will be obtainable from the Jersey Financial Services Commission once they have been filed therewith.