

KREOS CAPITAL II (UK) LIMITED

Report and Financial Statements

Year Ended

30 November 2008

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KREOS CAPITAL II (UK) LIMITED

Report and financial statements for the year ended 30 November 2008

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Directors

Nick Bland
Rafe Morton

Secretary and registered office

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

Company number

05202732 (England and Wales)

Auditors

Deloitte LLP
Chartered Accountants and Registered Auditors
St Helier
Jersey

KREOS CAPITAL II (UK) LIMITED

Report of the directors for the year ended 30 November 2008

The directors present their report together with the audited financial statements of the Company for the year ended 30 November 2008.

Results and dividends

The profit and loss account is set out on page 6 and shows the results for the year.
The directors do not recommend the payment of a dividend.

Principal activity, business review and future developments

The principal activity of the Company for the year was leasing equipment under finance leases to third parties (the "Subleases") 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").

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

	Year ended 30 November 2008	Year ended 30 November 2007
	€000	€000
Gross profit	1,135	1,465
Profit before tax	219	62
Net assets	422	248
Net cash from operating activities	(375)	358

Directors

The directors of the Company during the year were:

John Wallace	(resigned on 30 June 2009)
Nick Bland	(appointed on 30 June 2009)
Rafe Morton	
Avril Kerr	(alternate director to John Wallace)
Jeff Margolick	(alternate director to Rafe Morton)

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.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

Credit risk

The Company mitigates its credit risk, by spreading it's exposure over a large number of counterparties and customers.

KREOS CAPITAL II (UK) LIMITED

Report of the directors for the year ended 30 November 2008 (*Continued*)

Financial risk management objectives and policies (*continued*)

Liquidity Risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company has access to funding from its parent via Head Leases and receives monthly lease rental payments.

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 applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for 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 UK Accounting Standards have been followed; 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. 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 2008 *(Continued)*

Auditors

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 s234ZA of the Companies Act 1985.

Deloitte LLP have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the forthcoming Board Meeting of the company. The company have waived their right to hold an Annual General Meeting.

On behalf of the Board

AC
Director

DAVID MCGUINNESS

Date : 28/10/09

KREOS CAPITAL II (UK) LIMITED

Independent auditors' report to the members of Kreos Capital II (UK) Limited

We have audited the financial statements of Kreos Capital II (UK) Limited for the year ended 30 November 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

KREOS CAPITAL II (UK) LIMITED

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 November 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



Deloitte LLP

Chartered Accountants and Registered Auditors

St Helier, Jersey

28 October 2009

KREOS CAPITAL II (UK) LIMITED**Profit and loss account for the year ended 30 November 2008**

	Note	Year ended 30 November 2008 €	Year ended 30 November 2007 €
Turnover	2	47,722,178	37,085,845
Cost of Sales		(46,587,564)	(35,620,412)
Gross Profit		<u>1,134,614</u>	<u>1,465,433</u>
Other income		180,458	46,757
Interest receivable	3	142,153	142,116
Administrative expenses		(1,238,487)	(1,592,088)
Profit on ordinary activities before taxation	4	<u>218,738</u>	<u>62,218</u>
Taxation on profit on ordinary activities	6	(45,170)	(12,229)
Profit on ordinary activities after taxation	11	<u><u>173,568</u></u>	<u><u>49,989</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 9 to 14 form part of these financial statements.

KREOS CAPITAL II (UK) LIMITED

Balance sheet as at 30 November 2008

	Notes	As at 30 November 2008 €	As at 30 November 2007 €
Current assets			
Debtors	7	5,347,304	8,311,431
Cash and cash equivalents		3,757,030	3,989,951
Total current assets		<u>9,104,334</u>	<u>12,301,382</u>
Creditors: amounts falling due within one year	8	<u>(3,546,672)</u>	<u>(3,141,996)</u>
Net current assets		<u>5,557,662</u>	<u>9,159,386</u>
Total assets less current liabilities		<u>5,557,662</u>	<u>9,159,386</u>
Creditors: amounts falling due after more than one year	9	<u>(5,135,942)</u>	<u>(8,911,234)</u>
Net assets		<u>421,720</u>	<u>248,152</u>
Capital and reserves			
Called up share capital	10	3	3
Profit and loss account	11	421,717	248,149
Total equity		<u>421,720</u>	<u>248,152</u>

The financial statements were approved by the Board on 29 October 2009.



Director

Nick Bland

The notes on pages 9 to 14 form part of these financial statements.

KREOS CAPITAL II (UK) LIMITED**Cash flow statement for the year ended 30 November 2008**

	Notes	2008 €	2007 €
Net cash (outflow)/inflow from operating activities	13	(375,074)	358,064
Returns on investments and servicing of finance			
Interest received		142,153	142,116
(Decrease)/Increase in cash in the year	15	(232,921)	500,180

The notes on pages 9 to 14 form part of these financial statements.
KREOS CAPITAL II (UK) LIMITED

Notes forming part of the financial statements for the year ended 30 November 2008

1 Accounting policies

FRS 18 requires the Company to select accounting policies that are the most appropriate to its particular circumstances for the purpose of ensuring that the financial statements give a true and fair view. The following policies have been selected by the directors against the objectives of relevance, reliability, comparability and understandability and have been applied consistently in the preparation of these financial statements.

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 and cash equivalents

Cash comprises cash balances and call deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amount of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

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 2008 (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. The Bank of England exchange rate at 30 November 2008 to sterling was €1.2095 (2007 – 1.4694).

2 Turnover

	Year ended 30 November 2008 €	Year ended 30 November 2007 €
Rent receivable from Sublease before provisions	47,722,178	37,085,845
	<u>47,722,178</u>	<u>37,085,845</u>

3 Interest receivable

	Year ended 30 November 2008 €	Year ended 30 November 2007 €
Bank interest received	142,153	142,116
	<u>142,153</u>	<u>142,116</u>

4 Profit on ordinary activities before taxation

This has been arrived at after charging:

	Year ended 30 November 2008 €	Year ended 30 November 2007 €
Auditors' remuneration – audit services	15,119	18,368
Foreign exchange variance	70,970	(2,938)

5 Directors and employees

The Company has no employees. Deutsche International Trust Corporation (CI) Limited received €26,906 (2007 - €30,857) remuneration from the Company in respect of director's fees for qualifying services rendered during the period.

KREOS CAPITAL II (UK) LIMITED

Notes forming part of the financial statements for the year ended 30 November 2008 (Continued)

6 Taxation on profit on ordinary activities

	Year ended 30 November 2008 €	Year ended 30 November 2007 €
a) Analysis of the current tax charge in the year:		
UK corporation tax on the profit for the year	45,170	12,229

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 21.00%.

	Year ended 30 November 2008 €	Year ended 30 November 2007 €
<i>Current tax reconciliation:</i>		
Profit on ordinary activities before tax	218,738	62,218
Profit on ordinary activities at the standard rate of corporation tax in the UK of 21% (2007 - 20%)	45,935	12,444
Effect of: Change in tax rate	(765)	(215)
Total current tax charge	45,170	12,229

No deferred tax has arisen during the year.

7 Debtors

	As at 30 November 2008 €	As at 30 November 2007 €
Trade debtors	902,024	172,819
Prepayments	2,858,635	2,885,151
Other debtors	1,586,645	5,253,461
	5,347,304	8,311,431

KREOS CAPITAL II (UK) LIMITED

Notes forming part of the financial statements for the year ended 30 November 2008 (Continued)

8 Creditors: amounts falling due within one year

	As at 30 November 2008 €	As at 30 November 2007 €
Trade creditors	12,176	-
Income in Advance	2,762,318	2,753,565
Other creditors	603,019	296,353
Accrued expenses	65,279	33,368
Corporation Tax	103,880	58,710
	<u>3,546,672</u>	<u>3,141,996</u>

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

9 Creditors: amounts falling due after more than one year

	As at 30 November 2008 €	As at 30 November 2007 €
Loan from Kreos Capital II Limited	5,135,942	8,911,234
	<u>5,135,942</u>	<u>8,911,234</u>

During the year the Company repaid €3,775,292 (2007 advance - €276,851) of a non interest bearing loan of 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.

10 Share capital

	2008 €	2007 €
Authorised, issued and fully paid 2 ordinary shares of £1 each (Converted at historical rate of GBP: EUR 1.499)	3	3

The authorised share capital of the Company consists of 2 ordinary shares of £1 each. Kreos Capital II Limited subscribed for, and were allotted, two ordinary shares of the Company.

KREOS CAPITAL II (UK) LIMITED

Notes forming part of the financial statements for the year ended 30 November 2008 (Continued)

11 Profit and loss account

	€
Opening balance	248,149
Profit for the year	173,568
Balance as at 30 November 2008	<u>421,717</u>

12 Reconciliation of movement in shareholders' funds

	As at 30 November 2008 €	As at 30 November 2007 €
Retained profit for the year	173,568	49,989
Opening shareholders' funds	<u>173,568</u> 248,152	<u>49,989</u> 198,163
Closing shareholders' funds	<u>421,720</u>	<u>248,152</u>

13 Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 30 November 2008 €	Year ended 30 November 2007 €
Operating profit before tax	218,738	62,218
Decrease in debtors	2,964,127	422,549
(Decrease)/Increase in creditors	(3,415,786)	15,413
Interest income	(142,153)	(142,116)
Net cash (outflow)/inflow from operating activities	<u>(375,074)</u>	<u>358,064</u>

14 Reconciliation of net cash flow to movement in net debt

	As at 30 November 2008 €	As at 30 November 2007 €
(Decrease)/Increase in cash for the year	(232,921)	500,180
Cash outflow from intercompany loan	<u>3,775,292</u>	<u>276,851</u>
Change in net debt resulting from cash flows	3,542,371	777,031
Opening net debt	<u>(4,921,283)</u>	<u>(5,698,314)</u>
Net debt at 30 November	<u>(1,378,912)</u>	<u>(4,921,283)</u>

KREOS CAPITAL II (UK) LIMITED

Notes forming part of the financial statements for the year ended 30 November 2008 *(Continued)*

15 Analysis of changes in net debt

	At 30 November 2007 €	Cash flow €	Other non-cash movements €	At 30 November 2008 €
Cash at bank	3,989,951	(232,921)	-	3,757,030
Cash (inflow) / outflow from intercompany loan	(8,911,234)	3,775,292	-	(5,135,942)
Total net debt	(4,921,283)	3,542,371	-	(1,378,912)

16 Related party transactions

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.

17 Controlling party

At 30 November 2008, 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, 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.