

KREOS CAPITAL II (UK) LIMITED

Report and Financial Statements

Year Ended

30 November 2009



KREOS CAPITAL II (UK) LIMITED

Report and financial statements for the year ended 30 November 2009

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Directors

Rafe Morton
Nicholas Bland

Edward Fletcher (alternate director to Nicholas Bland and Rafe Morton)
Jeffrey Margolick (alternate director to 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 2009

The directors present their report together with the audited financial statements of the Company for the year ended 30 November 2009

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 "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")

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

	Year ended 30 November 2009	Year ended 30 November 2008
	€000	€000
Gross profit	666	1,135
Profit before tax	178	219
Net assets	562	422
Net cash outflow from operating activities	(1,665)	(375)

In the Directors' opinion there have been no significant developments subsequent to the balance sheet date

Directors

The directors of the Company during the year were

Rafe Morton	
Nicholas Bland	(appointed – 29 September 2009)
David Guinness	(appointed – 30 October 2009)
John Wallace	(resigned – 28 September 2009)
Avril Kerr	(alternate director to Nick Bland)
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

Principal risks and uncertainties

The Company's activities expose it to a number of 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 2009 *(Continued)*

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 applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that 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 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 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 2009 (*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 s418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting of the Company

On behalf of the Board



Nicholas Bland
Director

Date 14/12/2010.

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 2009 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 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

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 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 2009 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.

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

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



Christopher Leck, MA, FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditors

St Helier, Jersey

18 December 2010

KREOS CAPITAL II (UK) LIMITED

Profit and loss account for the year ended 30 November 2009

	Note	Year ended 30 November 2009 €	Year ended 30 November 2008 €
Turnover	2	30,751,243	47,722,178
Cost of Sales		(30,085,485)	(46,587,564)
Gross Profit		<u>665,758</u>	<u>1,134,614</u>
Other income	3	298,394	180,458
Interest receivable	4	23,524	142,153
Administrative expenses		(809,420)	(1,238,487)
Profit on ordinary activities before taxation	5	<u>178,256</u>	<u>218,738</u>
Taxation on profit on ordinary activities	7	(38,297)	(45,170)
Profit on ordinary activities after taxation	12	<u><u>139,959</u></u>	<u><u>173,568</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 2009

	Notes	As at 30 November 2009 €	As at 30 November 2008 €
Current assets			
Debtors	8	2,636,499	5,347,304
Cash		2,115,850	3,757,030
Total current assets		<u>4,752,349</u>	<u>9,104,334</u>
Creditors: amounts falling due within one year	9	(1,400,329)	(3,546,672)
Net current assets		<u>3,352,020</u>	<u>5,557,662</u>
Total assets less current liabilities		<u>3,352,020</u>	<u>5,557,662</u>
Creditors: amounts falling due after more than one year	10	(2,790,341)	(5,135,942)
Net assets		<u>561,679</u>	<u>421,720</u>
Capital and reserves			
Called up share capital	11	3	3
Profit and loss account	12	561,676	421,717
Total equity		<u>561,679</u>	<u>421,720</u>

The financial statements were approved and authorised for issue by the Board on 14 December ~~November~~ 2010



Nicholas Bland
Director

Company Registration Number 0520732

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 2009**

	Notes	2009 €	2008 €
Net cash (outflow)/inflow from operating activities	14	(1,664,704)	(375,074)
Returns on investments and servicing of finance			
Interest received		23,524	142,153
(Decrease)/Increase in cash in the year	16	<u>(1,641,180)</u>	<u>(232,921)</u>

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 2009

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. Taking this and other factors into account the directors have considered the expected future cash flows of the Company. Consequently, the directors 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

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

KREOS CAPITAL II (UK) LIMITED

Notes forming part of the financial statements for the year ended 30 November 2009 (Continued)

2 Turnover

	Year ended 30 November 2009 €	Year ended 30 November 2008 €
Rent receivable from Sublease before provisions	30,751,243	47,722,178
	<u>30,751,243</u>	<u>47,722,178</u>

3 Other income

Other income comprises 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 2009 €	Year ended 30 November 2008 €
Bank interest received	23,524	142,153
	<u>23,524</u>	<u>142,153</u>

5 Profit on ordinary activities before taxation

This has been arrived at after charging

	Year ended 30 November 2009 €	Year ended 30 November 2008 €
Auditors' remuneration – audit services	15,000	15,119
Foreign exchange losses	26,120	70,970

6 Directors and employees

The Company has no employees. Deutsche International Trust Corporation (CI) Limited received €24,494 (2008 - €29,906) 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 2009 (*Continued*)

7 Taxation on profit on ordinary activities

	Year ended 30 November 2009 €	Year ended 30 November 2008 €
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a) Analysis of the current tax charge in the year

UK corporation tax on the profit for the year	38,297	45,170
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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%

	Year ended 30 November 2009 €	Year ended 30 November 2008 €
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	178,256	218,738
Profit on ordinary activities at the standard rate of corporation tax in the UK of 28% (2008 - 21%)	49,912	45,935
Effect of Small companies relief	(11,615)	-
Change in tax rate	-	(765)
Total current tax charge	38,297	45,170

No deferred tax has arisen during the year

8 Debtors

	As at 30 November 2009 €	As at 30 November 2008 €
Trade debtors	312,399	902,024
Prepayments	1,350,400	2,858,635
Other debtors	973,700	1,586,645
	2,636,499	5,347,304

KREOS CAPITAL II (UK) LIMITED

Notes forming part of the financial statements for the year ended 30 November 2009 (Continued)

9 Creditors: amounts falling due within one year

	As at 30 November 2009 €	As at 30 November 2008 €
Trade creditors	12,176	12,176
Income in Advance	1,244,307	2,762,318
Other creditors	59,121	603,019
Accrued expenses	43,072	65,279
Corporation Tax	41,653	103,880
	<u>1,400,329</u>	<u>3,546,672</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 2009 €	As at 30 November 2008 €
Loan from Kreos Capital II Limited	2,790,341	5,135,942
	<u>2,790,341</u>	<u>5,135,942</u>

11 Share capital

	2009 €	2008 €
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

During the year the Company repaid €2,446,125 (2008 advance - €3,775,292) 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

KREOS CAPITAL II (UK) LIMITED

Notes forming part of the financial statements for the year ended 30 November 2009 (Continued)

12 Profit and loss account

	2009 €	2008 €
Opening balance	421,717	248,149
Profit for the year	139,959	173,568
Balance as at 30 November 2009	<u>561,676</u>	<u>421,717</u>

13 Reconciliation of movement in shareholders' funds

	As at 30 November 2009 €	As at 30 November 2008 €
Retained profit for the year	139,959	173,568
Opening shareholders' funds	<u>421,720</u>	<u>248,152</u>
Closing shareholders' funds	<u>561,679</u>	<u>421,720</u>

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

	Year ended 30 November 2009 €	Year ended 30 November 2008 €
Operating profit before tax	178,256	218,738
Decrease in debtors	2,710,805	2,964,127
Decrease in creditors	(4,530,240)	(3,415,786)
Interest income	(23,525)	(142,153)
Net cash outflow from operating activities	<u>(1,664,704)</u>	<u>(375,074)</u>

KREOS CAPITAL II (UK) LIMITED

Notes forming part of the financial statements for the year ended 30 November 2009 (Continued)

15 Reconciliation of net cash flow to movement in net debt

	As at 30 November 2009 €	As at 30 November 2008 €
Decrease in cash for the year	(1,641,180)	(232,921)
Cash outflow from intercompany loan	2,466,125	3,775,292
Change in net debt resulting from cash flows	824,945	3,542,371
Opening net debt	(1,378,912)	(4,921,283)
Net debt at 30 November	(553,967)	(1,378,912)

16 Analysis of changes in net debt

	At 30 November 2008 €	Cash flow €	Other non-cash movements €	At 30 November 2009 €
Cash at bank	3,757,030	(1,641,180)	-	2,115,850
Cash (inflow) / outflow from intercompany loan	(5,135,942)	2,446,125	-	(2,689,817)
Total net debt	(1,378,912)	804,945	-	(573,967)

17 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

18 Controlling party

At 30 November 2009, 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