

Registered number: 05202732

KREOS CAPITAL II (UK) LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2013**

TUESDAY



L3KFEOAA

LD5

11/11/2014

#87

COMPANIES HOUSE

KREOS CAPITAL II (UK) LIMITED

COMPANY INFORMATION

DIRECTORS	Thadeshwar Fangoo Mahen Sumam
REGISTERED NUMBER	05202732
REGISTERED OFFICE	35 Great St Helen's London EC3A 6AP
INDEPENDENT AUDITOR	Deloitte LLP Chartered Accountants and Statutory Auditor P.O. Box 403 44 Esplanade St Helier Jersey
COMPANY SECRETARY	SFM Corporate Services Limited

KREOS CAPITAL II (UK) LIMITED

CONTENTS

	Page
Directors' report	1 - 4
Independent auditor's report	5 - 6
Profit and loss account	7
Balance sheet	8
Cash flow statement	9
Notes to the financial statements	10 - 15

KREOS CAPITAL II (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 NOVEMBER 2013

The directors present their report and the financial statements of Kreos Capital II (UK) Limited (the "Company") for the year ended 30 November 2013.

The Company qualifies as a small company in accordance with sections 381-382 of the Companies Act 2006 (the "Act"). The directors' report has therefore been prepared taking into consideration the entitlement to small companies exemptions provided in sections 414B (as incorporated to the Act by the Strategic Report and Directors' Report Regulations 2013) of the Act.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

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 the terms of the Master Head Lease Framework Agreement dated 19 October 2004, a limited recourse lease agreement (the "Master Head Lease Framework Agreement").

KEY PERFORMANCE INDICATORS	2013 € 000	2012 € 000
Gross profit	21	155
Loss before tax	(4)	(151)
Net assets	7	11
Net cash outflow from operating activities	(113)	(502)

The directors consider the above to be the Company's key financial performance indicators based on ongoing internal management information.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to €3,945 (2012 - loss €151,056).

The directors do not recommend the payment of a dividend (2012: €Nil).

GOING CONCERN

The directors anticipate that the Company will be able to remain in operation for a period longer than 12 months from the date of approving these financial statements. Consequently, the financial statements have been prepared on a going concern basis.

The Company is reliant on support from Kreos Capital II Limited (the "Parent Company"). However, as at balance sheet date, the Parent Company had a negative working capital of €59,653,199 (2012: €56,382,924). In addition, the notes issued by the parent company are in default as they were not settled on their maturity date of 25 October 2013. The noteholders can demand immediate repayment. However, there has been no formal communication from the noteholders notifying the parent company of their intention to demand payment on the outstanding notes.

The payment of ongoing administrative expenses of the Company and its parent company is dependent upon the one remaining lease performing or payment being received from overdue receivables. The Company and its Parent Company expect the remaining receivables will be recovered and as such the directors have continued to prepare the financial statements on a going concern basis.

KREOS CAPITAL II (UK) LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 NOVEMBER 2013**

DIRECTORS

The directors who served during the year and subsequently were:

Thadeshwar Fangoo
Mahen Surnam

COMPANY SECRETARY

SFM Corporate Services Limited acted as the company secretary during the year and subsequently.

THIRD PARTY INDEMNITY

Qualifying third party indemnity provision for the benefit of the directors was in force during the year under review and remains in force as at the date of approval of the directors' report and financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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 the Company's 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.

KREOS CAPITAL II (UK) LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 NOVEMBER 2013**

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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, 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 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.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditor in connection with preparing their report and to establish that the Company's auditor is aware of that information.

The confirmation is given and should be interpreted in accordance with the provisions of s418(2) of the Companies Act 2006.

KREOS CAPITAL II (UK) LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 NOVEMBER 2013**

AUDITOR

Pursuant to section 487 of the Companies Act 2006, auditors duly appointed by the members of the Company shall, subject to any resolution to the contrary, be deemed to be reappointed for the next financial year. Deloitte LLP, having expressed their willingness, will therefore continue in office.

This report was approved by the board on 10 November 2014 and signed on its behalf.



Mahen Surnam
Director

KREOS CAPITAL II (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KREOS CAPITAL II (UK) LIMITED

We have audited the financial statements of Kreos Capital II (UK) Limited for the year ended 30 November 2013, which comprise the Profit and loss account, Balance sheet, Cash flow statement and related notes 1 to 16. 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 AUDITOR

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 Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENT

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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENT

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 November 2013 and of its loss 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.

KREOS CAPITAL II (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KREOS CAPITAL II (UK) LIMITED

EMPHASIS OF MATTER - GOING CONCERN

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the report of the directors and note 1 to the financial statements regarding the Company's ability to continue as a going concern. The Company relies on the support of Kreos Capital II Limited (the "parent company"). However, as at the balance sheet date, the parent company had negative working capital of EUR 59,653,199 (2012: EUR 56,382,924) respectively. The notes issued by the parent company are in default as they were not settled on their maturity date of 25 October 2013. The noteholders can demand immediate repayment. The payment of ongoing administrative expenses of the Company is dependent upon the one remaining lease performing or payment being received from overdue receivables. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

EMPHASIS OF MATTER - IMPAIRMENT OF DEBTORS

In forming our opinion on the financial statements, which is not modified, we have considered the value of debtors disclosed in note 7 to the financial statements, which include leases with Imagine Telecommunications Business Limited and Coolwave Communications B.V. valued at EUR 5,172,225 and EUR 3,224,613 respectively at balance sheet date. The valuation of these receivables was determined by the directors based on a discounted cash flow using an estimated payment date. Where the payment date of the receivables varies significantly from that used in the assumptions, the amounts realised may be different from that shown in the financial statements.

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.

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
- the financial statements are not in agreement with the accounting records and returns; or
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report; or
- we have not received all the information and explanations we require for our audit.



Helen Gale BSc, FCA (Statutory Auditor)
for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor
Jersey

Date: 11 November 2014

KREOS CAPITAL II (UK) LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 NOVEMBER 2013**

	Note	2013 €	2012 €
TURNOVER	2	4,173,903	7,445,085
Cost of sales		<u>(4,153,213)</u>	<u>(7,290,525)</u>
GROSS PROFIT		20,690	154,560
Administrative expenses		<u>(25,800)</u>	<u>(299,795)</u>
OPERATING LOSS	3	(5,110)	(145,235)
EXCEPTIONAL ITEMS			
Impairment reversal/(charge)		210,374	(1,257,707)
Creditor adjustment for impairment of sublease commitments		<u>(209,322)</u>	<u>1,251,418</u>
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST		(4,058)	(151,524)
Interest receivable and similar income	5	<u>113</u>	<u>468</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(3,945)	(151,056)
Tax on loss on ordinary activities	6	<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR	11	<u>(3,945)</u>	<u>(151,056)</u>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2013 or 2012 other than those included in the Profit and loss account, accordingly no statement of total recognised gains and losses has been prepared.

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

BALANCE SHEET
AS AT 30 NOVEMBER 2013

	Note	€	2013 €	€	2012 €
CURRENT ASSETS					
Debtors	7	8,927,198		5,157,350	
Cash at bank		869		113,988	
		<u>8,928,067</u>		<u>5,271,338</u>	
CREDITORS: amounts falling due within one year	8	<u>(8,909,656)</u>		<u>(5,194,501)</u>	
NET CURRENT ASSETS			<u>18,411</u>		<u>76,837</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>18,411</u>		<u>76,837</u>
CREDITORS: amounts falling due after more than one year	9		<u>(11,521)</u>		<u>(66,002)</u>
NET ASSETS			<u>6,890</u>		<u>10,835</u>
CAPITAL AND RESERVES					
Called up share capital	10		3		3
Profit and loss account	11		<u>6,887</u>		<u>10,832</u>
SHAREHOLDER FUNDS	12		<u>6,890</u>		<u>10,835</u>

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on: 10 November 2014



Mahen Surnam
Director

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

KREOS CAPITAL II (UK) LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 NOVEMBER 2013**

	Note	2013 €	2012 €
Net cash flow from operating activities	13	(113,232)	(501,786)
Returns on investments and servicing of finance		113	468
DECREASE IN CASH IN THE YEAR		(113,119)	(501,318)

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
FOR THE YEAR ENDED 30 NOVEMBER 2013**

	2013 €	2012 €
Decrease in cash in the year	(113,119)	(501,318)
CHANGE IN NET FUNDS RESULTING FROM CASH FLOWS	(113,119)	(501,318)
Change in intercompany loan	54,481	302,980
MOVEMENT IN NET FUNDS IN THE YEAR	(58,638)	(198,338)
Net funds at 1 December	47,986	246,324
NET (DEBT)/FUNDS AT 30 NOVEMBER 2013	(10,652)	47,986

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

KREOS CAPITAL II (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2013

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

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

1.2 Operating leases

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.3 Cash at bank

Cash comprises cash balances and call deposits with banks.

1.4 Interest income

The Company accounts for interest receivable on an accruals basis.

1.5 Interest payable

Interest payable is accounted for on an accruals basis.

1.6 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.

1.7 Going concern

The directors anticipate that the Company will be able to remain in operation for a period longer than 12 months from the date of approving these financial statements. Consequently, the financial statements have been prepared on a going concern basis.

The Company is reliant on support from Kreos Capital II Limited (the "Parent Company"). However, as at balance sheet date, the Parent Company had a negative working capital of €59,653,199 (2012: €56,382,924). In addition, the notes issued by the parent company are in default as they were not settled on their maturity date of 25 October 2013. The noteholders can demand immediate repayment. However, there has been no formal communication from the noteholders notifying the parent company of their intention to demand payment on the outstanding notes.

The payment of ongoing administrative expenses of the Company and its parent company is dependent upon the one remaining lease performing or payment being received from overdue receivables. The Company and its Parent Company expect the remaining receivables will be recovered and as such the directors have continued to prepare the financial statements on a going concern basis.

KREOS CAPITAL II (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2013**

1. ACCOUNTING POLICIES (continued)**1.8 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

All turnover was derived from the sublease rentals written to third parties pursuant to the terms of the Master Head Lease Framework Agreement, net of value added tax.

	2013 €	2012 €
Rent receivable from Sublease before provisions	<u>4,173,903</u>	<u>7,445,085</u>

3. OPERATING LOSS

The operating loss is stated after charging/(crediting):

	2013 €	2012 €
Auditor's remuneration	15,040	15,405
Gain/(loss) on foreign exchange translation	<u>2,092</u>	<u>(35,508)</u>

KREOS CAPITAL II (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2013

4. DIRECTORS AND EMPLOYEES

The Company had no employees during the year (2012: none). Deutsche International Corporate Services Limited received €Nil (2012 - €22,904) remuneration from the Company in respect of directors' fees for qualifying services rendered during the year.

5. INTEREST RECEIVABLE

	2013 €	2012 €
Bank interest received	113	468

6. TAXATION

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2012 - *the same as*) the standard rate of corporation tax in the UK of 23.33% (2012 - 24.67%) as set out below:

	2013 €	2012 €
Loss on ordinary activities before tax	(3,945)	(151,056)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.33% (2012 - 24.67%)	(920)	(37,266)
Effects of:		
Unrelieved tax losses and other deductions arising in the period	920	37,266
Current tax charge for the year	-	-

Deferred tax

The company has substantial accumulated tax losses which may be available for off-set against future taxable profits. A deferred tax asset has not been provided as its recovery is uncertain at this time.

The unrecognised deferred tax asset at year end amounted to €110,426 (2012 - €126,082).

7. DEBTORS

	2013 €	2012 €
Accrued income	9,602,631	6,019,939
Adjustment for impairment of sublease rentals	(1,047,333)	(1,257,707)
Prepayments	371,900	371,269
Tax recoverable	-	23,849
	8,927,198	5,157,350

KREOS CAPITAL II (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2013

7. DEBTORS (continued)

Accrued income relates to rental income that is contractually scheduled to be received in line with the sub lease rental agreements entered into with the lessees and adjusted for in respect of provisions for default of contract. Correspondingly there is also an accrued expense for leasing costs due to the Parent Company under the terms of the Master Head Lease Agreement as disclosed in note 8 of these financial statements.

An impairment was calculated at the net present value of the leases as at 30 November 2013. This is calculated based on the annualised cost of capital of the Parent Company and an estimated recovery date. In accordance with the Company's Master Head Lease Agreement framework the Company is required to pass on 99.5% of its receipts to the Parent Company. Accordingly an adjustment has been made to the accrued expenses in note 8 as a result of this impairment.

8. CREDITORS:

Amounts falling due within one year

	2013 €	2012 €
Accrued expenses	9,581,150	6,073,218
Adjustment for impairment of sublease commitments	(1,042,197)	(1,251,418)
Deferred income	370,568	370,568
Other creditors	35	2,133
	<u>8,909,556</u>	<u>5,194,501</u>

Deferred income relates to month 36 lease income that was received before the year end.

Accrued expenses relate to amounts payable pursuant to the terms of the Master Head Lease Framework Agreement.

9. CREDITORS:

Amounts falling due after more than one year

	2013 €	2012 €
Loan from Kreos Capital II Limited	<u>11,521</u>	<u>66,002</u>

During the year the Company settled €54,481 (2012 - €302,978) of a non interest bearing loan from Kreos Capital II Limited, a company incorporated in Jersey and the ultimate controlling party of the Company. 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 TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2013

10. SHARE CAPITAL

	2013 €	2012 €
Issued, called up and fully paid		
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 incorporation of the Company.

11. RESERVES

	Profit and loss account €
At 1 December 2012	10,832
Loss for the year	(3,945)
At 30 November 2013	6,887

12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2013 €	2012 €
Opening shareholders' funds	10,835	161,891
Loss for the year	(3,945)	(151,056)
Closing shareholders' funds	6,890	10,835

13. NET CASH FLOW FROM OPERATING ACTIVITIES

	2013 €	2012 €
Operating profit before tax	(3,945)	(151,056)
(Increase)/decrease in debtors	(3,769,845)	(4,557,561)
Increase/(decrease) in creditors	3,660,671	4,207,301
Interest income	(113)	(468)
Net cash outflow from operating activities	(113,232)	(501,784)

KREOS CAPITAL II (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2013

14. ANALYSIS OF CHANGES IN NET FUNDS

	At 30 November 2012 €	Cashflow €	Other non- cash movements €	At 30 November 2013 €
Cash at bank	113,988	(113,119)	-	869
Intercompany Loan	(66,002)	54,481	-	(11,521)
Total	<u>47,986</u>	<u>(58,638)</u>	<u>-</u>	<u>(10,652)</u>

15. 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 "Related Party Disclosures" 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.

16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

At 30 November 2013, 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. Copies of the financial statements of Kreos Capital II Limited may be obtained from St Pauls Gate, New Street, St Helier, Jersey JE4 8ZB, Channel Islands.