

KINNOULL HOUSE LIMITED

STATUTORY ACCOUNTS
FOR THE YEAR ENDED
30 NOVEMBER 2006



KINNOULL HOUSE LIMITED
REPORT OF THE DIRECTORS – YEAR ENDED 30 NOVEMBER 2006

1 The directors submit their report and the audited financial statements for the year ended 30 November 2006

2 **REVIEW OF ACTIVITIES**

The Company carries on the business of developers of land and buildings and provides assets for use under PFI arrangements

The Directors are confident that the Company will continue to develop successfully for the foreseeable future

3 **RESULTS AND DIVIDEND**

The trading results for the period are as shown in the profit and loss account on page 4. No interim dividend was paid during the year (2005: £170,000). The directors do not recommend payment of a dividend in respect of the current year.

4 **DIRECTORS**

The directors of the Company who held office during the period and to date were:

A Pope	(resigned 11 May 2006)
A Richards	(resigned 11 May 2006)
A C Ritchie	(appointed 20 June 2006)
M J Ryan	
N H Scott Barrett	(resigned 13 March 2006)
John Hope	(appointed 11 May 2006, resigned 20 December 2006)
Peter Buxton	(appointed 11 May 2006, resigned 20 December 2006)
J McDonagh	(appointed 13 March 2006)

In accordance with the Company's Articles of Association, none of its directors are required to retire. None of the directors who held office at the beginning or end of the period had any interests in the shares of the Company.

5 **DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare the financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 November 2006 and that applicable accounting standards have been followed.

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.


KINNOULL HOUSE LIMITED
REPORT OF THE DIRECTORS – YEAR ENDED 30 NOVEMBER 2006

6 AUDITORS

Each director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

A resolution to re appoint the auditors, PricewaterhouseCoopers LLP, will be proposed at the Annual General Meeting

By Order of the Board



M J Ryan
Director

29 March 2007

Registered in Scotland No 190800

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KINNOULL HOUSE LIMITED

We have audited the financial statements of Kinnoull House Limited for the year ended 30 November 2006 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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.

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 2006 and of its profit for the year then ended
- 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



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Edinburgh

29 March 2007

KINNOULL HOUSE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE
YEAR ENDED 30 NOVEMBER 2006

	Notes	Year ended 30 11 06 £	Year ended 30 11 05 £
Turnover	1(b)	3,019,170	2,958,555
Cost of sales		(926,371)	(906,342)
Gross profit		2,092,799	2,052,213
Administration expenses		(91,977)	(124,957)
Operating Profit	3	2,000,822	1,927,256
Interest payable and similar charges	4	(1,183,683)	(1,223,314)
Interest receivable		166,646	148,685
Profit on ordinary activities before taxation		983,785	852,627
Taxation	5	(340,074)	(294,997)
Profit on ordinary activities after taxation		643,711	557,630
Dividends	6		(170,000)
Retained profits for year		643,711	387,630
<u>Statement of retained earnings</u>			
Opening balance		1,894,824	1,507,194
Retained profits for the year		643,711	387,630
Balance at 30 November		<u>2,538,535</u>	<u>1,894,824</u>

All activities are continuing

There is no difference between the profit on ordinary activities before taxation and the retained profit for the period stated above and their historic cost equivalents

The Company has no recognised gains and losses other than the profit above and therefore no separate statement of total recognized gains and losses has been presented

KINNOULL HOUSE LIMITED

BALANCE SHEET AS AT
YEAR ENDED 30 NOVEMBER 2006

	Notes	30 11 06 £	30.11 05 £
<u>Tangible fixed assets</u>			
Land and Buildings	7	16,146,621	16,441,185
		<hr/>	<hr/>
		16,146,621	16,441,185
<u>Current assets</u>			
Debtors due within one year	8	360,291	394,231
Cash at bank and in hand		4,165,396	3,679,084
		<hr/>	<hr/>
		4,525,687	4,073,315
<u>Current liabilities</u>			
Creditors amounts falling due within one year	9	(1,395,538)	(1,329,089)
		<hr/>	<hr/>
Net current assets		3,130,149	2,744,226
		<hr/>	<hr/>
Total assets less current liabilities		19,276,770	19,185,411
		<hr/>	<hr/>
Creditors amounts falling due after more than one year	10	(15,253,382)	(15,843,039)
Provision for liabilities and charges	11	(1,350,853)	(1,313,548)
		<hr/>	<hr/>
Net assets		<u>2,627,535</u>	<u>2,028,824</u>
Capital & reserves			
Called up share capital	12	134,000	134,000
Profit and loss account		2,538,535	1,894,824
		<hr/>	<hr/>
Equity shareholders' funds	13	<u>2,672,535</u>	<u>2,028,824</u>



M Ryan
Director

The Directors approved the financial statements on ²⁹ March 2007
The notes on pages 6 to 11 form part of these financial statements

KINNOULL HOUSE LIMITED
NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 NOVEMBER 2006

1 PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important group accounting policies which have been consistently applied, is set out below.

(a) ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention.

(b) TURNOVER

Turnover represents the value of rental income and service charges receivable during the period, wholly within the UK, excluding Value Added Tax.

(c) TANGIBLE FIXED ASSETS

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition. The cost of land and buildings includes interest paid and finance costs specifically incurred to finance assets in the course of construction.

Provision for depreciation is made so as to write off the cost or valuation, of tangible fixed assets to their estimated residual value on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Buildings	25 years
Plant and machinery	25 years

(d) DEFERRED TAXATION

The charge for taxation is based on the profit for the period and takes into account deferred taxation. Deferred taxation has been recognised as a liability or asset if transactions have incurred at the balance sheet date that give rise to an obligation to pay more tax in the future or a right to pay less tax in the future.

An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

(e) DEFERRED INCOME

Lifecycle income is recognised according to the forecast lifecycle cost profile over the remaining concession period to ensure lifecycle revenues and costs are matched evenly.

2 CASH FLOW

The Company is exempt from the requirement of Financial Reporting Standard No 1 (revised) to prepare a cash flow statement as it is a small company by definition.

KINNOULL HOUSE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – YEAR ENDED 30 NOVEMBER 2006

3 OPERATING PROFIT

None of the directors received any remuneration as directors from the Company during the period. The Company has no directly employed personnel. The profit on ordinary activities includes auditors remuneration of £3,500 (2005: £3,000).

The auditors provided no other services to the company in the year (2005: nil).

4 INTEREST PAYABLE AND SIMILAR CHARGES

	<u>30 11 06</u>	<u>30 11 05</u>
	£	£
Interest on bank loans	952,823	989,888
Interest on other loans	230,860	233,426
	<u>1,183,683</u>	<u>1,223,314</u>

5 TAXATION

	<u>30 11 06</u>	<u>30 11 05</u>
	£	£
The tax charge for the year comprised		
UK tax – current year charge	340,074	295,116
UK tax – adjustments in respect of prior years		(119)
Tax on profit on ordinary activities	<u>340,074</u>	<u>294,997</u>
Tax on profit on ordinary activities comprises		
UK Corporation tax at 30% (2005: 30%)	302,769	235,966
Adjustments in respect of prior years		(329)
Total current tax	<u>302,769</u>	<u>235,637</u>
Deferred tax (note 11)		
Charge for timing differences arising in the year	37,305	59,150
Adjustments in respect of prior years		210
Total deferred tax	<u>37,305</u>	<u>59,360</u>
Tax on profit on ordinary activities	<u>340,074</u>	<u>294,997</u>

KINNOULL HOUSE LIMITED
NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 NOVEMBER 2006

5 **TAXATION (CONTINUED)**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%) The differences are explained below

	<u>30 11 06</u>	<u>30 11 05</u>
	£	£
Profit on ordinary activities before taxation	953,785	852,627
Profit on ordinary activities at the standard UK rate of tax (30%)	295,136	255,788
Effects of		
Accounting for depreciation not eligible for tax purposes	57,301	57,300
Capital allowances for the year in excess of depreciation	(37,305)	(59,150)
Adjustments to the tax charge in respect of prior periods		(329)
Utilisation of tax losses		
Effect of small companies rate of tax and marginal relief	(12,363)	(17,972)
Current tax charge for the year	<u>302,769</u>	<u>235,637</u>

6 **DIVIDENDS**

	<u>30 11 06</u>	<u>30 11 05</u>
	£	£
Dividends on ordinary shares		
Interim dividend paid NIL (2005 127 pence per share)		170,000
		<u>170,000</u>

7 **TANGIBLE FIXED ASSETS**

<u>Cost</u>	<u>Land and Buildings</u>
	£
As at 30 11 05	17,982,476
Additions	
As at 30 11 06	<u>17,982,476</u>
<u>Accumulated Depreciation</u>	
As at 30 11 05	(1,541,291)
Charge for the year	(294,564)
As at 30 11 06	<u>(1,835,855)</u>
<u>NBV</u>	
As at 30 11 05	16,441,185
As at 30 11 06	<u>16,146,621</u>

KINNOULL HOUSE LIMITED
NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 NOVEMBER 2005

8 DEBTORS DUE WITHIN ONE YEAR

	<u>30 11 06</u>	<u>30 11 05</u>
	£	£
Trade debtors	314,506	344,989
Other debtors	45,785	49,242
	<u>360,291</u>	<u>394,231</u>

9 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>30 11 06</u>	<u>30 11 05</u>
	£	£
Bank loans	620,879	581,370
Other loans	24,779	21,986
Trade creditors	51,222	121,218
Value Added Tax	72,969	65,689
Corporation tax	302,769	235,966
Accruals	322,920	302,860
	<u>1,395,538</u>	<u>1,329,089</u>

10 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>Amounts falling due (£)</u>			<u>30 11 06</u>	<u>30 11 05</u>
	<u>1 2</u>	<u>2 5</u>	<u>Over 5</u>	<u>30 11 06</u>	<u>30 11 05</u>
	Years	Years	Years	Total	Total
Bank loan	658,754	2,265,420	10,286,762	13,210,936	13,831,815
Other loans	26,849	105,147	1,616,450	1,748,446	1,773,224
Deferred income			294,000	294,000	238,000
	<u>685,603</u>	<u>2,370,567</u>	<u>12,197,212</u>	<u>15,253,382</u>	<u>15,843,039</u>

Bank loans are repayable over a period of 20 years by way of semi annual payments commencing 10 March 2001. The last payment is due on 10 September 2020. The bank loans are secured by way of a fixed and floating charge over the assets of the Company. Interest is charged on the bank loan at the rate of 6.735% per annum. Other loans are repayable over a period of 25 years by way of semi annual payments commencing 10 March 2001. The last payment is due on 10 September 2025. Interest is charged on the other loans at the rate of 12.94% per annum.

KINNOULL HOUSE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – YEAR ENDED 30 NOVEMBER 2006

11 PROVISION FOR LIABILITIES AND CHARGES

Deferred Taxation

Details of the provision made for deferred taxation which represents the full potential liability are set out below

	<u>30 11 06</u>	<u>30 11 05</u>
	£	£
Balance brought forward at 1 December 2005	1,313,548	1,254,188
Charge for the year	<u>37,305</u>	<u>59,360</u>
Balance carried forward at 30 November 2006	<u>1,350,853</u>	<u>1,313,548</u>
	<u>30 11 06</u>	<u>30 11 05</u>
	£	£
Accelerated capital allowances	<u>1,350,853</u>	<u>1,313,548</u>
Undiscounted provision for deferred tax	<u>1,350,853</u>	<u>1,313,548</u>

There are no deferred tax assets that have not been recognised in the accounts

12 CALLED UP SHARE CAPITAL

	<u>30 11 06</u>		<u>30 11 05</u>	
	£	£	£	£
	Authorised	Issued	Authorised	Issued
"A" type shares of £1 each	250,000	67,000	250,000	67,000
"B" type shares of £1 each	250,000	67,000	250,000	67,000
	<u>500,000</u>	<u>134,000</u>	<u>500,000</u>	<u>134,000</u>

"A" & "B" shares have equal ranking and voting rights

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>30 11 06</u>	<u>30 11 05</u>
	£	£
Opening shareholders' funds	2,028,824	1,641,194
Profit for financial year	<u>643,711</u>	<u>387,630</u>
Closing shareholders' funds	<u>2,672,535</u>	<u>2,028,824</u>

KINNOULL HOUSE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – YEAR ENDED 30 NOVEMBER 2006

14 RELATED PARTY TRANSACTIONS

The Company's transactions with related parties, as defined by Financial Reporting Standard 8, are summarised below

	Purchases from Related Parties in the year to 30 11 06 £	Purchases from Related Parties in the year to 30 11 06 £	Amounts due to Related Parties as at 30 11 06 £	Amounts due to Related Parties as at 30 11 06 £
Morrison Facilities Services Limited	649,727	564,465	51,222	99,927
Morrison Project Investments Limited	38,867	45,373		21,291
Noble PFI Fund	6,931	5,758		
Lanterndew Limited	13,861	11,517		
	<u>709,386</u>	<u>627,113</u>	<u>51,222</u>	<u>121,218</u>

The Company made no sales to related parties during the year and at the year end was due no sums from related parties

As at the year end, Kinnoull House Limited owed Morrison Edison Investments Limited and Lanterndew Limited subordinated debt of £886,612 each (2005: £897,605 each)

15 ULTIMATE PARENT UNDERTAKING

In the opinion of the directors the ultimate parent undertaking and controlling party is Lanterndew Limited

The immediate parent companies are Morrison Edison Investments Limited and Lanterndew Limited

16 POST BALANCE SHEET EVENT

On 20th December 2006, AWG PFI Limited sold its shareholding in Morrison Edison Investments Limited to Lanterndew Limited