

## **Kenmore South Limited**

### **Annual report and financial statements**

for the year ended 31 July 2005

Registered number 3369157



## **Directors' report and financial statements**

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## **Directors' report**

The directors have pleasure in submitting their annual report and audited financial statements for the year ended 31 July 2005.

### **Principal activities**

The principal activity of the company is property investment.

### **Results and dividends**

The profit for the year, after taxation, amounted to £210,436 (2004: £141,357). The total dividends paid during the year amounted to £nil (2004: nil).

### **Review of the year**

During the year the company continued to upgrade one investment property.

### **Directors and directors' interests**

The directors who served during the year were as follows:

JAB Kennedy  
JK Brown  
AE White

The directors had no interests in the shares of the company. The directors' interests in the shares of Kenmore Property Holdings Limited are disclosed in that company's financial statements.

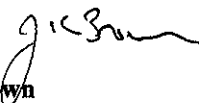
### **Political and charitable contributions**

The company made no political contributions or charitable donations during the year.

### **Auditors**

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

  
**JK Brown**  
Secretary

5 Wigmore Street  
London  
12 December 2005

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **Independent auditors' report to the members of Kenmore South Limited**

We have audited the financial statements on pages 4 to 10.

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 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**

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 transactions with the company is not disclosed.

### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards 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 judgements 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 of the state of the company's affairs as at 31 July 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

**KPMG LLP**

*Chartered Accountants*

*Registered Auditor*

*Edinburgh*

12 December 2005

**Profit and loss account**  
*for the year ended 31 July 2005*

	<i>Notes</i>	<b>2005</b> £	2004 £
<b>Turnover</b>	2	<b>662,961</b>	484,842
Cost of sales		<b>(259,813)</b>	(121,215)
<b>Gross profit</b>		<b>403,148</b>	363,627
Administrative expenses		<b>(3,017)</b>	(7,543)
<b>Operating profit</b>	3-4	<b>400,131</b>	356,084
Interest receivable	5	<b>54,127</b>	18,549
Interest payable and similar charges	6	<b>(206,704)</b>	(172,695)
<b>Profit on ordinary activities before taxation</b>		<b>247,554</b>	201,938
Tax on profit on ordinary activities	7	<b>(37,118)</b>	(60,581)
<b>Profit after taxation</b>		<b>210,436</b>	141,357
Dividends paid		-	-
<b>Retained profit for the financial year</b>	15	<b>210,436</b>	141,357

Other than the result recorded there have been no other recognised gains or losses.

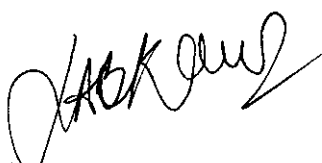
The profit for the financial year has been derived from continuing activities.

There is no material difference between results as stated and results prepared on a historical cost basis.

**Balance sheet**  
**at 31 July 2005**

	<i>Note</i>	<b>2005</b> £	2004 £
<b>Fixed assets</b>			
Investment properties	8	<b>4,505,000</b>	4,096,529
		<hr/>	<hr/>
<b>Current assets</b>			
Debtors	9	<b>977,885</b>	906,357
Cash in bank and in hand		<b>7,724</b>	34,879
		<hr/>	<hr/>
		<b>985,609</b>	941,236
<b>Creditors: amounts falling due within one year</b>	10	<b>(4,174,351)</b>	(4,219,373)
		<hr/>	<hr/>
<b>Net current liabilities</b>		<b>(3,188,742)</b>	(3,278,137)
		<hr/>	<hr/>
<b>Net assets</b>		<b>1,316,258</b>	818,392
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	12	<b>100</b>	100
Revaluation reserve	13	<b>555,060</b>	267,630
Profit and loss account	14	<b>761,098</b>	550,662
		<hr/>	<hr/>
<b>Equity shareholders' funds – equity</b>	15	<b>1,316,258</b>	818,392
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 12 December 2005 and were signed on its behalf by:



**JAB Kennedy**  
*Director*

## **Notes**

*(forming part of the financial statements)*

### **1 Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### ***Basis of preparation***

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and in accordance with applicable Accounting Standards.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that its parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Kenmore Property Holdings Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Kenmore Property Holdings Limited, within which the company is included, can be obtained from the address given in note 17.

#### ***Investment properties***

In accordance with Statement of Standard Accounting Practice No. 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve. No depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run. This treatment may be a departure from the Companies Act requirements concerning the depreciation of fixed assets. It is the opinion of the directors that, as these properties are held for investment purposes and not for consumption, a systematic annual charge for depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation or amortisation is one of several factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately quantified.

#### ***Trading properties and developments***

These assets are valued at the lower of cost or net realisable value. Cost includes the purchase cost of land and buildings, development expenditure and attributable finance costs including interest. Net realisable value is based on the estimated selling price less cash expected to be incurred to completion and disposal.

#### ***Deferred taxation***

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. No deferred tax is provided on capital allowances in respect of assets not subject to depreciation. No provision is made in the accounts for taxation which may become payable if investment properties held for long term retention were disposed of at their revalued amounts.

### **2 Turnover**

Turnover is stated net of VAT. The turnover is attributable to the receipt of rental income.

**Notes** *(continued)*

**3 Operating profit**

	<b>2005</b>	2004
	<b>£</b>	<b>£</b>
<i>Operating profit is stated after charging</i>		
Auditors' remuneration	<b>1,500</b>	1,500
	<u>          </u>	<u>          </u>

**4 Staff costs and numbers**

	<b>2005</b>	2004
	<b>£</b>	<b>£</b>
Admin	-	-
Social security costs	-	-
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>

**Staff numbers**

The average number of people employed during the year was:

	<b>2005</b>	2004
	<b>No</b>	<b>No</b>
Administration	-	-
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>

**5 Interest receivable**

	<b>2005</b>	2004
	<b>£</b>	<b>£</b>
Bank interest	<b>3,979</b>	18,549
Interest on related party loans	<b>50,148</b>	-
	<u>          </u>	<u>          </u>
	<b>54,127</b>	18,549
	<u>          </u>	<u>          </u>

## Notes (continued)

### 6 Interest payable and similar charges

	2005	2004
	£	£
Bank loans and overdraft	205,605	172,695
Interest on related party loans	1,099	-
	<u>206,704</u>	<u>172,695</u>

### 7 Tax on profit on ordinary activities

	2005	2004
	£	£
UK corporation tax		60,581
	<u>          </u>	<u>          </u>

#### *Factors affecting the tax charge for the current period*

The current tax charge is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below.

#### *Current tax reconciliation*

Profit on ordinary activities before tax	247,554	201,938
	<u>          </u>	<u>          </u>
Current tax at 30% (2004: 30%)	74,266	60,581
Utilisation of group relief	(37,148)	-
	<u>          </u>	<u>          </u>
Total current tax charge (see above)	37,118	60,581
	<u>          </u>	<u>          </u>

### 8 Investment properties

	Freehold Property 2005	Freehold Property 2004
	£	£
<b>Valuation</b>		
At 1 August	4,096,529	3,700,821
Additions	121,041	395,708
Revaluation	287,430	-
	<u>          </u>	<u>          </u>
<b>As at 31 July</b>	4,505,000	4,096,529
	<u>          </u>	<u>          </u>

Investment properties were valued at the balance sheet date, on the basis of existing use value, by a director of the company, who is a qualified member of The Royal Institute of Chartered Surveyors. All of the valuations were carried out in accordance with the Appraisal and Valuation Manual published by The Royal Institute of Chartered Surveyors. The historic cost of the properties is £3,949,940 (2004: £3,828,899).

## Notes (continued)

### 9 Debtors

	2005	2004
	£	£
Trade debtors	7,557	858
Amounts due by related parties	884,846	762,632
Other debtors	85,482	142,867
	<hr/>	<hr/>
	977,885	906,357
	<hr/>	<hr/>

### 10 Creditors: amounts falling due within one year

	2005	2004
	£	£
Bank loans & overdrafts	3,105,000	3,105,000
Trade creditors	13,296	1,740
Other taxes and social security	80,745	55,216
Corporation tax	85,958	106,188
Amounts due to related parties	18,315	-
Other creditors	714,472	748,357
Accruals and deferred income	156,565	202,872
	<hr/>	<hr/>
	4,174,351	4,219,373
	<hr/>	<hr/>

The bank loan is secured by a fixed charge over the property of the company and a floating charge over the assets of Kenmore South Limited. The loan is repayable on the disposal of property to which the funding relates. Interest is payable at 1.75% above three month LIBOR.

Under the term of a guarantee given on 24 June 1997 the company's then ultimate parent, Kenmore Investments Limited guaranteed the payment of all sums due to the company's bankers to the sum of £1,000,000.

### 11 Provisions for liabilities and charges

No deferred tax has been provided on the revaluation of the freehold properties. The potential amount of taxation that would become payable if the properties were to be realised at the amount at which they are included in the accounts is £80,000 (2004: £80,000).

### 12 Called up share capital

	Authorised	Allotted, called up and fully paid
	£	£
As at 31 July 2004 and 31 July 2005		
Ordinary shares of £1 each	100	100
	<hr/>	<hr/>

**Notes** *(continued)*

**13 Revaluation reserve**

	<b>2005</b>	2004
	<b>£</b>	£
As at 1 August	<b>267,630</b>	267,630
Revaluation	<b>287,430</b>	-
	<hr/>	<hr/>
<b>As at 31 July</b>	<b>555,060</b>	267,630
	<hr/>	<hr/>

**14 Profit and loss account**

	<b>2005</b>	2004
	<b>£</b>	£
As at 1 August	<b>550,662</b>	409,305
Retained profit for the year	<b>210,436</b>	141,357
	<hr/>	<hr/>
<b>As at 31 July</b>	<b>761,098</b>	550,662
	<hr/>	<hr/>

**15 Reconciliation of movements in shareholders' funds**

	<b>2005</b>	2004
	<b>£</b>	£
Opening shareholders' funds	<b>818,392</b>	677,035
Profit for the year	<b>210,436</b>	141,357
Revaluation	<b>287,430</b>	-
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	<b>1,316,258</b>	818,392
	<hr/>	<hr/>

**16 Related party transactions**

Amounts due to related party totalling £884,846 (2004: £762,632) represents amounts due from Kenmore Group Limited, a company incorporated in Scotland. All transactions with Kenmore Property Group Limited and its subsidiaries have been at arms length throughout the financial year.

**17 Ultimate parent undertaking**

The company is a subsidiary undertaking of Kenmore Property Holdings Limited, incorporated in Scotland. The consolidated financial statements of Kenmore Property Holdings Limited are available to the public and can be obtained from the Registrar of Companies, 37 Castle Terrace, Edinburgh EH1 2EB.