

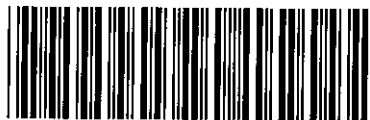
Kenmore South Limited

Annual report and financial statements

for the year ended 31 July 2006

Registered number 3369157

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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 2006.

Principal activities

The principal activity of the company is property investment.

Results and dividends

The profit for the year, after taxation, amounted to £555,364 (2005: £210,436). The total dividends paid during the year amounted to £nil (2005: nil).

Review of the year

The company disposed of one property during the period.

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.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

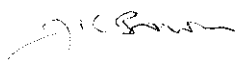
Political and charitable contributions

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

33 Castle Street
Edinburgh
23 May 2007

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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, subject to any material departures disclosed and explained in the financial statements; 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 its 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 of Kenmore South Limited for the year ended 31 July 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. 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 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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 July 2006 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.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor
Edinburgh

23 May 2007

Profit and loss account
for the year ended 31 July 2006

	<i>Notes</i>	2006 £	2005 £
Turnover	2	4,643,020	662,961
Cost of sales		(4,126,371)	(259,813)
		<hr/>	<hr/>
Gross profit		516,649	403,148
Administrative expenses		(2,500)	(3,017)
		<hr/>	<hr/>
Operating profit	3-4	514,149	400,131
Interest receivable	5	120,474	54,127
Interest payable and similar charges	6	(79,259)	(206,704)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		555,364	247,554
Tax on profit on ordinary activities	7	-	(37,118)
		<hr/>	<hr/>
Profit for the financial year		555,364	210,436
		<hr/> <hr/>	<hr/> <hr/>

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 2006

	<i>Note</i>	2006 £	2005 £
Fixed assets			
Investment properties	8	-	4,505,000
		<hr/>	<hr/>
Current assets			
Debtors	9	2,107,343	977,885
Cash in bank and in hand		9,355	7,724
		<hr/>	<hr/>
		2,116,698	985,609
Creditors: amounts falling due within one year	10	(800,136)	(4,174,351)
		<hr/>	<hr/>
Net current assets/(liabilities)		1,316,562	(3,188,742)
		<hr/>	<hr/>
Net assets		1,316,562	1,316,258
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Called up share capital	12	100	100
Revaluation reserve	13	-	555,060
Profit and loss account	14	1,316,462	761,098
		<hr/>	<hr/>
Shareholders' funds	15	1,316,562	1,316,258
		<hr/> <hr/>	<hr/> <hr/>

These financial statements were approved by the board of directors on 23 May 2007 and were signed on its behalf by:

JK Brown

JK Brown
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.

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 and disposal of the property.

Notes (continued)

3 Operating profit

	2006	2005
	£	£
<i>Operating profit is stated after charging</i>		
Auditors' remuneration	1,500	1,500
	<u> </u>	<u> </u>

4 Staff costs and numbers

The directors received no remuneration for their services to the company. Apart from the directors, there were no employees during the year period (2005 nil).

5 Interest receivable

	2006	2005
	£	£
Bank interest	1,466	3,979
Interest on related party loans	119,008	50,148
	<u> </u>	<u> </u>
	120,474	54,127
	<u> </u>	<u> </u>

6 Interest payable and similar charges

	2006	2005
	£	£
Bank loans and overdraft	79,075	205,605
Interest on related party loans	184	1,099
	<u> </u>	<u> </u>
	79,259	206,704
	<u> </u>	<u> </u>

Notes *(continued)*

7 Tax on profit on ordinary activities

	2006	2005
	£	£
UK corporation tax	-	37,118

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
Current tax at 30% (2005: 30%)	-	74,266
Utilisation of group relief	-	(37,148)
Total current tax charge (see above)	-	37,118

8 Investment properties

	Freehold Property 2006 £	Freehold Property 2005 £
<i>Valuation</i>		
At 1 August	4,505,000	4,096,529
Additions	-	121,041
Revaluation	-	287,430
Disposals	(4,505,000)	-
As at 31 July	-	4,505,000

9 Debtors

	2006 £	2005 £
Trade debtors	2,661	7,557
Amounts due by related parties	2,102,473	884,846
Other debtors	-	85,482
Other taxes and social security	2,209	-
	2,107,343	977,885

Notes *(continued)*

10 Creditors: amounts falling due within one year

	2006	2005
	£	£
Bank loans & overdrafts	-	3,105,000
Trade creditors	-	13,296
Other taxes and social security	-	80,745
Corporation tax	49,295	85,958
Amounts due to related parties	19,598	18,315
Other creditors	729,743	714,472
Accruals and deferred income	1,500	156,565
	<hr/>	<hr/>
	800,136	4,174,351
	<hr/>	<hr/>

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 £nil (2005: £80,000).

12 Called up share capital

	Authorised	Allotted, called up and fully paid
	£	£
As at 31 July 2005 and 31 July 2006		
Ordinary shares of £1 each	100	100
	<hr/>	<hr/>

13 Revaluation reserve

	2006	2005
	£	£
As at 1 August	555,060	267,630
Revaluation	-	287,430
Disposal	(555,060)	-
	<hr/>	<hr/>
As at 31 July	-	555,060
	<hr/>	<hr/>

Notes *(continued)*

14 Profit and loss account

	2006	2005
	£	£
As at 1 August	761,098	550,662
Profit for the year	555,364	210,436
	<hr/>	<hr/>
As at 31 July	1,316,462	761,098
	<hr/>	<hr/>

15 Reconciliation of movements in shareholders' funds

	2006	2005
	£	£
Opening shareholders' funds	1,316,258	818,392
Profit for the year	555,364	210,436
Revaluation	(555,060)	287,430
	<hr/>	<hr/>
Closing shareholders' funds	1,316,562	1,316,258
	<hr/>	<hr/>

16 Related party transactions

Amounts due from related party totalling £2,102,473 (2005: £884,846) 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.