Kenmore Joint Ventures Limited

Annual report and financial statements

for the year to 31 July 2004
Registered number 4168251

Directors' report and financial statements

Contents

Directors' report

The directors have pleasure in submitting their annual report and audited financial statements for the year ended 31 July 2004.

Principal activities

The principal activity of the group is property trading.

Results and dividends

The profits for the year, after taxation amounted to £94,407 (2003: profit £891,814). The directors recommend a payment of a dividend totalling £440,000 (2003: £1,364,154).

Review of the period

The group sold a number of its properties during the prior year for a profit.

Directors and directors' interests

The directors who served during the year were as follows:

JAB Kennedy	
RWM Brook	
WJ Killick	Resigned 29 March 2004
RR Lawrie	(Appointed 29 March 2004)
AJ Pettit	Resigned 29 March 2004
N Hill	(Appointed 29 March 2004)

The directors have no interests in the shares of the company.

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.

JKBrown

JK Brown
Secretary

33 Castle Street
Edinburgh
30 April 2005

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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 Joint Ventures Limited.

We have audited the financial statements on pages 4 to 13.

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 2004 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

13 May 2005

Consolidated Profit and loss account

for the year ended 31 July 2004

	Notes	2004 £	2003 £
Turnover	2	**93,659**	13,667,387
Cost of sales		**(9,320)**	(11,925,085)
Gross profit		**84,339**	1,742,302
Administrative Expenses		**(3,091)**	(408,854)
Operating profit	3-4	**81,248**	1,333,448
Interest receivable		**35,527**	53,518
Interest payable and similar charges	5	**(7,526)**	(130,979)
Profit on ordinary activities before taxation		**109,249**	1,255,987
Tax on ordinary activities	6	**(14,842)**	(364,173)
Profit on ordinary activities after taxation		**94,407**	891,814
Dividends		**(440,000)**	(1,364,154)
Retained (loss) for the financial year	13	**(345,593)**	(472,340)

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.

Consolidated Balance sheet
at 31 July 2004

	Note	Group 2004 £	Group 2003 £
Current assets			
Stocks and work in progress	*8*	**-**	-
Debtors	*9*	**105,703**	8,508
Cash at bank		**-**	1,671,571
		105,703	1,680,079
Creditors: amounts falling due within one year	*10*	**(96,009)**	(532,832)
Net current assets		**9,694**	1,147,247
Creditors: amounts falling due after more than one year	*11*	**-**	(791,960)
Net assets		**9,694**	355,287
Capital and reserves			
Called up share capital	*12*	**1,000**	1,000
Profit and loss account	*13*	**8,694**	354,287
Equity shareholders' funds	*14*	**9,694**	355,287

These financial statements were approved by the board of directors on 13 May 2005 and were signed on its behalf by:

JAB Kennedy
Director

Balance sheet
at 31 July 2004

	Note	2004 £	2003 £
Current assets			
Investments	7	**98**	98
Debtors	9	**1,231,762**	792,860
		1,231,860	792,958
Creditors: amounts falling due within one year	10	**(1,230,860)**	(98)
Net current assets		**1,000**	792,860
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	11	**-**	(791,860)
Net assets		**1,000**	1,000
Capital and reserves			
Called up share capital	12	**1,000**	1,000
Profit and loss account	13	**-**	-
Equity shareholders' funds	14	**1,000**	1,000

These financial statements were approved by the board of directors on 13 May 2005 and were signed on its behalf by:

JAB Kennedy
Director

Consolidated cash flow statement

for the year ended 31 July 2004

	Note	2004 £	2004 £	2003 £	2003 £
Net cash inflow from operating activities	*15*		**(76,080)**		13,007,355
Returns on investments and servicing of finance					
Interest received		**35,527**		53,518	
Interest paid		**(7,526)**		(130,979)	
Dividends paid		**(440,000)**		(1,364,154)	
Net cash outflow from returns on investments and servicing of finance			**(411,999)**		(1,441,615)
Taxation			**(391,532)**		(297,232)
Cash inflow before management of liquid resources and financing			**(879,611)**		11,268,508
Financing					
Repayment of secured loans		**(791,960)**		(9,960,361)	
Net cash outflow from financing	*16*		**(791,960)**		(9,960,361)
(Decrease) / Increase in cash	*17*		**(1,671,571)**		1,308,147

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 and in accordance with applicable Accounting Standards.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 July 2004. Unless otherwise stated the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised and amortised over a period of 20 years.

In the company's financial statements investments in subsidiary undertakings is stated at cost less amounts written off.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.
The company profit for the year amounted to nil(2003:nil)

Notes *(continued)*

1 Accounting policies *(continued)*

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 period 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.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

2 Turnover

Turnover is attributable to the receipt of rental income.

3 Operating profit

	2004	2003
	£	£
Operating profit is stated after charging		
Auditors' remuneration	**1,500**	1,500

The amount of auditors remuneration in respect of audit fee for the parent company is £nil (2003: £nil) for the year.

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.

Notes *(continued)*

5 Interest payable and similar charges

	2004	2003
	£	£
Bank loans and overdraft	**7,526**	130,979

6 Tax charge on profit on ordinary activities

	2004	2003
	£	£
UK Corporation tax	**32,775**	376,796
Prior year adjustment	**(17,933)**	(12,623)
	14,842	364,173

Factors affecting the tax charge for the current period
The current tax charge is lower (2003: higher) than the standard rate of corporation tax in the UK (30%) (2003: 30%). The differences are explained below.

	2004	2003
	£	£
Current tax reconciliation		
Profit on ordinary activities before tax	**109,249**	1,255,987
Current tax at 30% (2003: 30%)	**32,775**	376,796
Effects of:		
Utilisation of tax losses	**-**	-
Adjustment to tax charge in respect of previous periods	**(17,993)**	(12,623)
Total current tax charge (see above)	**14,842**	364,173

7 Investments

The investment is in Kenmore Provincial Ltd, of which the company owns 100% of the nominal value of the ordinary share capital.

8 Stocks and work in progress

	Group	Group	**Company**	Company
	2004	2003	**2004**	2003
	£	£	**£**	£
Trading properties	**-**	-	**-**	-

Notes *(continued)*

9 Debtors

	Group 2004 £	Group 2003 £	**Company 2004 £**	Company 2003 £
Trade debtors	-	8,508	-	-
Amounts due from subsidiary	-	-	**1,231,762**	792,860
Amounts due from related party	**105,440**	-	-	-
Other taxes and social security costs	**263**	-	-	-
	105,703	8,508	**1,231,762**	792,860

10 Creditors: amounts falling due within one year

	Group 2004 £	Group 2003 £	**Company 2004 £**	Company 2003 £
Trade creditors	-	-	-	-
Amount due to related undertakings	**94,509**	154,836	**1,230,860**	98
Other taxes and social security costs	-	-	-	-
Corporation tax	-	376,690	-	-
Accruals and deferred income	**1,500**	1,306	-	-
	96,009	532,832	**1,230,860**	98

11 Creditors: amounts falling due after more than one year

	Group 2004 £	Group 2003 £	**Company 2004 £**	Company 2003 £
Bank loans	-	-		-
Other Loans (note 18)	-	791,860	-	791,860
	-	791,860	-	791,860

Notes *(continued)*

12 Called up share capital

	Authorised	Allotted, called up and fully paid
	£	**£**
A Ordinary shares of £1 each at 31 July 2003 and 31 July 2004	**490**	490
B Ordinary shares of £1 each at 31 July 2003 and 31 July 2004	**510**	510
	1,000	1,000

13 Profit and loss account

	Group	Company
	£	**£**
As at 1 August	**354,287**	-
Loss for the year	**(345,593)**	-
As at 31 July	**8,694**	-

14 Reconciliation of movements in shareholders' funds

	Group 2004	Group 2003	Company 2004	Company 2003
	£	£	**£**	£
Opening shareholders' funds	**355,287**	827,627	**1,000**	1,000
Profit for the year	**94,407**	891,814	-	-
Dividends	**(440,000)**	(1,364,154)	-	-
Closing shareholders' funds	**9,694**	355,287	**1,000**	1,000

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

	2004	2003
	£	£
Operating profit	**81,248**	1,333,448
Decrease in stock and work in progress	**-**	11,577,077
(Increase) / Decrease in debtors	**(97,195)**	229,689
(Decrease) in creditors	**(60,133)**	(132,859)
Net cash outflow / inflow from operating activities	**(76,080)**	13,007,355

Notes *(continued)*

16 Reconciliation of net cash flow to movement in net debt

	2004	2003
	£	£
(Decrease) / Increase in cash in period	**(1,671,571)**	1,308,147
Cash outflow from financing	**791,960**	9,960,361
Change in net debt	**(879,611)**	11,268,508
Net funds / (debt) brought forward	**879,611**	(10,388,897)
Net (debt) / funds carried forward	**-**	879,611

17 Analysis of changes in net debt

	At 31 July 2003	Cash Flows	At 31 July 2004
	£	£	£
Cash in hand and bank	1,671,571	1,671,571	-
	1,671,571	(1,671,571)	-
Debts due more than one year	(791,960)	791,960	-
	879,611	(879,611)	-

18 Related Party Transactions

Kenmore Investments Limited and Lehman Brothers Holdings Plc have advanced money to Kenmore Joint Ventures Limited on an arms length basis. The amount advanced is repayable on demand and bears no interest, and is disclosed in note 11 of the financial statements.

19 Ultimate Party Company

The group is a joint venture between Kenmore Investments Limited and Lehman Brothers Holdings Plc.