

Kenmore Capital Dudley Limited

Annual report and financial statements

for the year ended 31 July 2006

Registered number 05077117

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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 trading

Results and dividends

The loss for the year, after taxation, amounted to £6,044 (2005: profit £692,659) The directors do not recommend payment of a dividend (2005: £685,000)

Review of the period

The company was incorporated on 18 March 2004. It acquired and disposed of a property during the period ended 31 July 2005

Directors and directors' interests

The directors who served during the year were as follows

PA Bradley (resigned 3 February 2006)
JAB Kennedy
RWM Brook
AE White

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

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

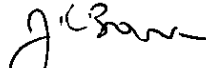
Political and charitable contributions

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
11 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 Capital Dudley Limited

We have audited the financial statements of Kenmore Capital Dudley 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 loss 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
Chartered Accountants
Registered Auditor
Edinburgh

11 May 2007

Profit and loss account
for the year ended 31 July 2006

	Notes	2006 £	2005 £
Turnover	2	-	3,418,575
Cost of sales		(8,309)	(2,462,680)
		<hr/>	<hr/>
Gross (loss)/profit		(8,309)	955,895
Administrative expenses		(3,299)	(12,803)
		<hr/>	<hr/>
Operating (loss)/profit	3-4	(11,608)	943,092
Interest receivable	5	5,792	241,182
Interest payable and similar charges	6	(228)	(194,761)
		<hr/>	<hr/>
(Loss)/profit on ordinary activities before taxation		(6,044)	989,513
Tax on ordinary activities	7	-	(296,854)
		<hr/>	<hr/>
(Loss)/profit for the financial period	13	(6,044)	692,659
		<hr/>	<hr/>

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

The loss for the financial period 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
as at 31 July 2006

	<i>Note</i>	2006 £	2005 £
Current assets			
Debtors	9	100,146	2,874,510
Creditors: amounts falling due within one year	10	(98,529)	(343,008)
Net current assets		<u>1,617</u>	<u>2,531,502</u>
Creditors: amounts falling due after more than one year	11	-	(2,523,841)
Net assets		<u>1,617</u>	<u>7,661</u>
Capital and reserves			
Called up share capital	12	2	2
Profit and loss account	13	1,615	7,659
Shareholders' funds	14	<u>1,617</u>	<u>7,661</u>

These financial statements were approved by the board of directors on 11 May 2007 and were signed on its behalf by



RWM Brook
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 Capital 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 Capital Limited, within which the company is included, can be obtained from the address given in note 15

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

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

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 No provision is made in the financial statements 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 attributable to the receipt of rental income and the disposal of one property during the period

3 Operating (loss)/profit

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

Notes *(continued)*

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 period.

5 Interest receivable

	2006	2005
	£	£
Bank interest	123	562
Group interest	5,669	240,620
	<hr/>	<hr/>
	5,792	241,182
	<hr/>	<hr/>

6 Interest payable and similar charges

	2006	2005
	£	£
Bank loans	228	194,761
	<hr/>	<hr/>

7 Tax charge on profit on ordinary activities

	2006	2005
	£	£
<i>UK corporation tax</i>		
Current tax on income for the period	-	296,854
	<hr/>	<hr/>

Factors affecting the tax charge for the current period

The current tax charge is higher than (2005 equal to) the standard rate of corporation tax in the UK (30%) (2005 30%)

The differences are explained below

	2006	2005
	£	£
<i>Current tax reconciliation</i>		
(Loss)/profit on ordinary activities before tax	(6,044)	989,513
	<hr/>	<hr/>
Current tax at 30%	(1,813)	296,854
<i>Effects of</i>		
Group relief surrendered	1,813	-
	<hr/>	<hr/>
Current tax charge (see above)	-	296,854
	<hr/>	<hr/>

8 Dividends

	2006	2005
	£	£
Dividend paid	-	685,000
	<hr/>	<hr/>

Notes (continued)

9 Debtors

	2006	2005
	£	£
Amounts due from parent company undertaking	100,146	2,868,510
Amounts due from fellow group undertaking	-	6,000
	<u>100,146</u>	<u>2 874 510</u>

10 Creditors: amounts falling due within one year

	2006	2005
	£	£
Bank overdraft	-	970
Trade creditors	1,175	37,769
Corporation tax	95,854	296,854
Accruals and deferred income	1,500	7 415
	<u>98,529</u>	<u>343 008</u>

11 Creditors amounts due after more than one year

	2006	2005
	£	£
Bank loans	-	2,523,841
	<u>-</u>	<u>2,523,841</u>

The maturity analysis is set out below

	2006	2005
	£	£
<i>Amounts falling due</i>		
Between two and five years	-	2 523,841
	<u>-</u>	<u>2 523,841</u>

12 Called up share capital

	Authorised	Allotted, called up and fully paid
	£	£
As at 31 July 2006 and 31 July 2005 ordinary shares of £1 each	100	2
	<u>100</u>	<u>2</u>

Two ordinary shares of £1 each were issued at par in the period to 31 July 2005

Notes (continued)

13 Profit and loss account

	2006	2005
	£	£
As at 1 August	7,659	-
(Loss)/profit for the year	(6,044)	692,659
Dividend		(685,000)
	<hr/>	<hr/>
As at 31 July	1,615	7,659
	<hr/>	<hr/>

14 Reconciliation of movements in shareholders' funds

	2006	2005
	£	£
Issue of share capital	-	2
(Loss)/profit for the year	(6,044)	692,659
Dividends	-	(685,000)
	<hr/>	<hr/>
Net (reduction)/increase in shareholders' funds	(6,044)	7,661
Opening shareholders' funds	7,661	-
	<hr/>	<hr/>
Closing shareholders' funds	1,617	7,661
	<hr/>	<hr/>

15 Ultimate parent undertaking

The company is a wholly owned subsidiary undertaking of Kenmore Capital Limited, incorporated in Scotland. Kenmore Capital Limited is a joint venture between Kenmore Investments Limited and Uberior Ventures Limited. The consolidated financial statements of Kenmore Capital Limited are available to the public and may be obtained from the Registrar of Companies, Companies House, 37 Castle Terrace, Edinburgh, EH1 2EB.

16 Related Party Transactions

Kenmore Capital Limited ('KCL') is a joint venture between Kenmore Investments Limited ('KIL') and Uberior Ventures Limited ('UVL'). Kenmore Investments Limited, Uberior Ventures Limited and the Governor and Company of Bank of Scotland (the ultimate parent company of Uberior Ventures Limited) had all contributed loans to the company during the period. These loans were repaid before the period end.

	2006	2005
	£	£
<i>Outstanding loan balances due to related parties are</i>		
Governor and Company of Bank of Scotland	-	2,523,841
<i>Interest paid on the above loans was</i>		
Governor and Company of Bank of Scotland	123	173,671
Kenmore Investments Limited	-	10,545
Uberior Ventures Limited	-	10,545