

## **Kenmore Capital Edinburgh Limited**

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

for the 11 month period ended 4 July 2008  
Registered number SC278545

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## **Directors' report**

The directors have pleasure in submitting their annual report and audited financial statements for the 11 month period ended to 4 July 2008.

### **Principal activities**

The principal activity of the company is property trading.

### **Results and dividends**

The loss for the financial period amounted to £81,389 (2007: loss £76,241). The directors do not recommend the payment of a dividend.

### **Review of the period**

The company did not trade in the period.

### **Going concern**

After making due enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts as explained in the basis of preparation note (note 1 to the accounts).

### **Change of year end**

The results for the period under review are for the 11 months ended 4 July 2008. The new financial year will run from 5 July 2008 to 30 June 2009.

### **Directors**

The directors who served during the period were as follows:

JAB Kennedy  
RWM Brook  
AE White  
JK Brown (resigned 04/02/08)

### **Political and charitable contributions**

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

### **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.

### **Auditors**

The company is not obliged to re-appoint its auditors annually and KPMG LLP will therefore continue in office.

By order of the board

  
**PM McCall**  
Secretary

33 Castle Street  
Edinburgh  
EH2 3DN  
13 March 2009

## **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.



**KPMG LLP**

Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG  
United Kingdom

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

We have audited the financial statements of Kenmore Capital Edinburgh Limited for the 11 month period ended 4 July 2008 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**

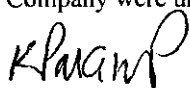
In our opinion:

- 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 4 July 2008 and of its loss for the 11 month period 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.

## **Independent auditors' report to the members of Kenmore Capital Edinburgh Limited (continued)**

### **Emphasis of matter - Going concern**

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The Company is dependent on group funding from Kenmore Capital Limited in order to support the going concern assumption. As explained in note 1 the financial statements of Kenmore Capital Limited for the period ended 4 July 2008 discloses the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern which may in turn cast significant doubt on the continuance of going concern for this company. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.



**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

13 March 2009

**Balance sheet**  
*as at 4 July 2008*

	<i>Note</i>	<b>4 July 2008</b> £	<b>31 July 2007</b> £
<b>Current assets</b>			
Debtors	8	3,670,732	3,780,383
Cash at bank		137,036	134,677
		<u>3,807,768</u>	<u>3,915,060</u>
<b>Creditors: amounts falling due within one year</b>	9	(35,940)	(61,843)
<b>Net assets</b>		<u>3,771,828</u>	<u>3,853,217</u>
<b>Capital and reserves</b>			
Called up share capital	10	2	2
Profit and loss account	11	3,771,826	3,853,215
<b>Shareholders' funds</b>	12	<u>3,771,828</u>	<u>3,853,217</u>

These financial statements were approved by the board of directors on 13 March 2009 and were signed on its behalf by:

*AE White*

**AE White**  
*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 and in accordance with applicable Accounting Standards.

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The company is dependent on funding provided to it by Kenmore Capital Limited, the company's parent. Kenmore Capital Limited has indicated that it is its current intention that, for at least 12 months from the date of approval of these financial statements, it will continue to make available sufficient funds as are needed by the company (whilst it remains a subsidiary) to enable it to continue trading and to meet its day to day commitments and in particular does not currently intend to seek repayment of the amounts already made available. The directors are not aware of any current plans for disposal of the company. The directors consider that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so except as described below. However the material uncertainty relating to the affairs of Kenmore Capital Limited, described below, may cast significant doubt on the company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business.

The following is an extract from the basis of preparation note in the Kenmore Capital Limited financial statements for the period ended 4 July 2008:

"The group is funded through a combination of shareholders equity and a loan facility repayable in 2012 (see note 19), which is shared under the terms of an umbrella agreement with Kenmore Capital 2 Limited and Kenmore Capital 3 Limited. The facilities are subject to financial covenants and other conditions which the group monitors regularly. The covenants of these facilities are sensitive to changes in projected cash flows, the value of properties and movements in interest rates. The terms of the umbrella agreement also provide that a breach of conditions will occur should the terms of the banking facilities of related companies (Kenmore Investments Limited and Kenmore Europe Limited) be breached.

The directors have prepared projected cash flow information for all the companies covered by the facilities noted above which reflects the directors' plans for the period ending twelve months from the date of their approval of these financial statements. The nature of the business of the companies covered by these projections is such that the majority of cash inflows are generated from rental income and property sales. Given the current economic conditions there can be no certainty over the timing or amount of these cash inflows, particularly those relating to property sales.

The projected cash flow information for the group, Kenmore Capital 2 Limited and Kenmore Capital 3 Limited indicates that from November 2009 there is a deficiency in available facilities and a breach of covenant requirements. Additionally the longer term projections show that the group will be unable to fully repay its bank loans when they fall due. The directors believe that a remedy to the short term covenant breach and a renegotiation of the longer term facility can be agreed with the Group's bankers which will allow the group to continue to meet its liabilities as they fall due. However, there can be no certainty in relation to these matters. Additionally, the possibility of further material adverse changes in the amount and timing of actual cash flows, property values and interest rates compared to the projections represent material uncertainties. Should agreement with the group's bankers fail to be reached there would be significant doubt over the group's ability to continue as a going concern. In such circumstances the group may, therefore, be unable to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from such circumstances



**Notes** *(continued)*

**1 Accounting policies** *(continued)*

Additionally the directors are aware that Kenmore Investments Limited is currently in discussion with its bankers over its facilities. While under the terms of the umbrella agreement noted above any breach of the Kenmore Investments Limited facility would represent a cross default on the facility, Kenmore Capital Limited is not reliant on Kenmore Investments Limited for its funding requirements and the directors of Kenmore Capital Limited consider that should such circumstances occur, they will be dealt with as part of the discussions over its own facilities as noted above.

The directors have concluded that the combination of these circumstances represents a material uncertainty that may cast significant doubt upon the company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after making enquiries, and considering the uncertainties described above, the directors have a reasonable expectation that the company will have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the financial statements."

The above extract demonstrates the material uncertainties which may cast significant doubt over the ability of Kenmore Capital Limited to support the company in the future.

The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

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 13.

In a previous period the company transferred its trading property to a Jersey Property Unit Trust (The 'Trust'). Under the requirement to FRS 5 'Reporting the substances of transactions' this transfer did not represent a change in ownership. Consequently the company continued to account for the trading property until its sale by incorporating the results of the Trust within its financial statements. Any further transactions accounted for within the Trust continue to be incorporated in this way.

***Taxation***

The charge of taxation is based on the results for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised without discounting in respect of all timing differences, except as otherwise required by FRS 19.

**2 Turnover**

Turnover is attributable to the receipt of rental income and the sale of the company's property.

**3 Loss on ordinary activities before taxation**

	11 month period ended 4 July 2008 £	Year ended 31 July 2007 £
<b><i>Loss on ordinary activities before taxation is stated after charging</i></b>		

Auditors' remuneration  
Audit of these financial statements

3,060	1,500
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**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**

	11 month period ended 4 July 2008 £	Year ended 31 July 2007 £
Bank interest	6,511	4,368
Group interest	-	210,585
	<u>6,511</u>	<u>214,953</u>

**6 Interest payable and similar charges**

	11 month period ended 4 July 2008 £	Year ended 31 July 2007 £
Group interest	20,586	476

**7 Tax on ordinary activities**

	11 month period ended 4 July 2008 £	Year ended 31 July 2007 £
<i>UK corporation tax</i>		
Current tax on income for the period	-	-

*Factors affecting tax for the current period*

Current tax is lower than (2007: lower than) the standard rate of corporation tax in the UK, (29.5%); (2007:30%). The differences are explained below.

	11 month period ended 4 July 2008 £	Year ended 31 July 2007 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(81,389)	(76,241)
Current tax at 29.5% (2007:30%)	(24,010)	(22,872)
<i>Effects of:</i>		
Group relief	-	22,872
Losses carried forward	24,010	-
Current tax charge (see above)	-	-

The company has tax losses available for offset against future period profits of £24,010. No deferred tax asset has been recognised in relation to these losses due to uncertainty over the timing of their recovery.

**Notes (continued)**

**8 Debtors**

	4 July 2008	31 July 2007
	£	£
Amounts owed by parent company	3,670,732	3,706,228
Amounts owing from group undertakings	-	52,456
Other taxes	-	17,041
Sundry debtors	-	4,658
	<hr/>	<hr/>
	3,670,732	3,780,383
	<hr/>	<hr/>

**9 Creditors: amounts falling due within one year**

	4 July 2008	31 July 2007
	£	£
Trade creditors	-	1,133
Accruals and deferred income	4,500	1,500
Other creditors	10,000	601
Corporation tax	21,440	58,609
	<hr/>	<hr/>
	35,940	61,843
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**10 Called up share capital**

	Authorised	Allotted, called up and fully paid
	£	£
As at 31 July 2007 and 4 July 2008 ordinary shares of £1 each	100	2
	<hr/>	<hr/>

**11 Profit and loss account**

	4 July 2008	31 July 2007
	£	£
Profit brought forward	3,853,215	3,929,456
Loss for the financial period	(81,389)	(76,241)
	<hr/>	<hr/>
Profit carried forward	3,771,826	3,853,215
	<hr/>	<hr/>

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

	4 July 2008	31 July 2007
	£	£
Opening shareholders' funds	3,853,217	3,929,458
Loss for the financial period	(81,389)	(76,241)
	<hr/>	<hr/>
Closing shareholders' funds	3,771,828	3,853,217
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**13 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.