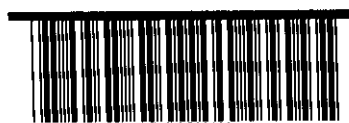


Kenmore Commercial Properties Limited

Annual report and financial statements

for the year ended 31 July 2000

Registered number 3504792



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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 2000.

Principal activities

The principal activity of the company is property investment.

Results and dividends

The profit for the period, after taxation, amounted to £187,423 (1999: £314,389). A dividend of £500,000 was paid during the year (1999: £nil).

Review of the period and future property developments

The company owns a portfolio of investment properties. The properties in the portfolio have been actively managed to ensure that yields were maximised. The company will continue to seek out further investment opportunities where there is the potential for enhanced profits.

Directors and directors' interests

The directors who served during the period were as follows:

JAB Kennedy
C W Marsden (Resigned 30 November 1999)
W G R Thomson
JK Brown (Appointed 20 September 1999)
RWM Brook (Appointed 10 November 1999)
AE White (Appointed 29 September 1999)

The directors have 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 during the period. No charitable donations were made in the period.

Auditors

A resolution to reappoint KPMG as auditors will be put to the members at the forthcoming Annual General Meeting.


JK Brown
Secretary

7 Melville Crescent
Edinburgh
13 November 2000

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.

kpmg

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG
United Kingdom

Report of the auditors to the members of Kenmore Commercial Properties Limited

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

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. 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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG
Chartered Accountants
Registered Auditors

17 November 2000

Profit and loss account
for the year ended 31 July 2000

	<i>Notes</i>	2000 £	1999 £ (18 months)
Turnover	2	1,020,730	1,473,508
Cost of sales		(74,816)	(132,310)
Gross profit		945,914	1,341,198
Administrative expenses		20,912	(40,843)
Operating profit	3	966,826	1,300,355
(Loss)/profit on sale of investment properties		(59,175)	54,319
Interest receivable		6,167	22,931
Interest payable and similar charges	5	(642,237)	(965,365)
Profit on ordinary activities before taxation		271,581	412,240
Tax on profit on ordinary activities	6	(84,158)	(97,401)
Profit after taxation		187,423	314,839
Dividends		(500,000)	-
Retained (loss)/profit for the financial period	14	(312,577)	314,839

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

Statement of total recognised gains and losses
for the year ended 31 July 2000

Profit on ordinary activities after taxation	187,423	314,839
Movement on unrealised surplus on revaluation of properties	(509,927)	1,231,317
Total recognised (losses)/gains in the period	(322,504)	1,546,156

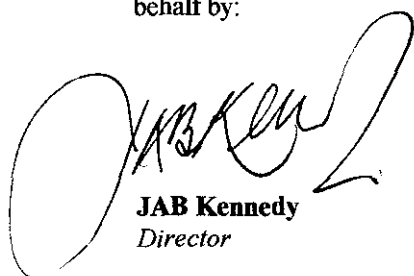
Statement of historical cost results
for the year ended 31 July 2000

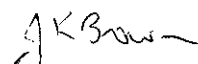
Profit on ordinary activities after taxation	187,423	314,839
Transfer from unrealised surplus on investment properties sold	262,407	-
	449,830	314,839

Balance sheet
at 31 July 2000

	<i>Note</i>	2000 £	1999 £
Fixed assets			
Investment Properties	7	8,650,000	10,127,000
Current assets			
Trade debtors	8	89,508	14,759
Cash in bank and in hand		38,943	205,864
		128,451	220,623
Creditors: amounts falling due within one year	9	(993,710)	(889,877)
Net current liabilities		(865,259)	(669,254)
Total assets less current liabilities		7,784,741	9,457,746
Creditors: amounts falling due after more than one year	10	(7,061,088)	7,911,588
		723,653	1,546,158
Capital and reserves			
Called up share capital	12	2	2
Revaluation reserve	13	458,982	1,231,317
Profit and loss account	14	264,669	314,839
Equity shareholders' funds - equity	15	723,653	1,546,158

These financial statements were approved by the board of directors on 13 November 2000 and were signed on its behalf by:


JAB Kennedy
Director


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 Investments 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 Investments Limited, within which the company is included, can be obtained from the address given in note 16.

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, except to the extent that a liability may arise in the foreseeable future.

Foreign currency

Monetary assets and liabilities denominated in foreign currency are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded using the average exchange rate for the period. All exchange gains and losses are recognised in the profit and loss account.

Notes *(continued)*

2 Turnover

Turnover comprises the receipt of rental and service charge income, and is stated net of value added tax.

3 Operating profit

	2000	1999
	£	£

Operating profit is stated after charging

Auditors' remuneration	1,600	2,800
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4 Staff costs and numbers

No remuneration was paid to the directors for their services. Apart from the directors there were no other employees during the year.

5 Interest payable and similar charges

	2000	1999
	£	£

Bank loans and overdraft	642,237	965,365
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6 Tax on profit on ordinary activities

	2000	1999
	£	£

UK corporation tax	84,158	97,401
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7 Investment properties

	Long Leasehold Property £	Freehold Property £	Total £
<i>Valuation</i>			
As at 1 August 1999	1,835,000	8,292,000	10,127,000
Additions	-	3,197	3,197
Disposals	-	(970,270)	(970,270)
Revaluation	(57,000)	(452,927)	(509,927)
At 31 July 2000	1,778,000	6,872,000	8,650,000

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.

Notes *(continued)*

8 Debtors

	2000	1999
	£	£
Other debtors	2,184	12,659
Amounts owed by fellow subsidiaries	45,009	2,100
Trade debtors	42,315	-
	89,508	14,759

9 Creditors: amounts falling due within one year

	2000	1999
	£	£
Amounts owed to related party	550,158	512,847
Corporation tax	127,800	95,377
Trade creditors	10,784	-
Accruals and deferred income	183,482	175,716
Other creditors	121,486	105,937
	993,710	889,877

10 Creditors: amounts due after more than one year:

	2000	1999
	£	£
Bank loans	7,061,088	7,911,588

The bank loan is secured by a fixed charge over the property of the company and a floating charge over the assets of Kenmore Commercial Properties Limited. The loan is repayable on the earlier of disposal of property to which the funding relates or March 2001. Interest is payable at a fixed rate of 9.0375% on £4,062,500 until 25 March 2001 and at 2% above three month LIBOR on the balance.

Under the term of a guarantee given on 24 June 1997 the company's then parent, Kenmore Investments Limited guaranteed the payment of all sums due to the company's bankers to the sum of £925,000.

Notes (continued)

11 Provisions for liabilities and charges

No deferred tax has been provided on the revaluation of the freehold properties. The potential amount of taxation which would become payable if the properties were to be realised at the amount at which they are included in the accounts is £138,000.

12 Called up share capital

	Authorised £	Allotted, called up and fully paid £
As at 31 July 2000		
Ordinary shares of £1 each	2	2

13 Revaluation reserve

	2000 £	1999 £
As at 1 August	1,231,317	-
Movement in year	(509,927)	1,231,317
Transfer to profit and loss account	(262,408)	-
As at 31 July 2000/1999	458,982	1,231,317

14 Profit and loss account

	2000	1999
As at 1 August	314,839	-
Retained (loss)/profit for the year	(312,577)	314,839
Transfer from revaluation reserve	262,407	-
As at 31 July 2000/1999	264,669	314,839

Notes *(continued)*

15 Reconciliation of movements in shareholders' funds

	2000	1999
	£	
As at 1 August	1,546,158	-
Issue of share capital	-	2
Results for the period	(312,577)	314,839
Movements on revaluation reserve	(509,928)	1,231,317
Closing shareholders' funds	723,653	1,546,158

16 Related party transactions

There were amounts due to Kenmore Property Group Limited, a company incorporated in Scotland, amounting to £550,158 as at 31 July 2000 (1999: £512,847). All the transactions between the company and this group have been at arms length.

17 Parent undertaking

The company is a subsidiary undertaking of Kenmore Property Holdings Limited which is a company incorporated in Scotland.