

**KNIGHTS PROPERTY COMPANY LIMITED**

**ANNUAL REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2004**

**Registered Number : 1655420**



KNIGHTS PROPERTY COMPANY LIMITED  
ANNUAL REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2004

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KNIGHTS PROPERTY COMPANY LIMITEDDIRECTORS' REPORTFOR THE YEAR ENDED 31 DECEMBER 2004

The directors present their report and audited financial statements of the company for the year ended 31 December 2004.

PRINCIPAL ACTIVITY

The principal activity of the company continues to be owning land and buildings which are let primarily to other members of the Group.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The Profit and Loss Account for the year is set out on page 5.

Both the level of business and the year end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not recommend the payment of a dividend (2003: £nil).

The profit for the financial year of £1,356,836 (2003: £13,535,184) will be transferred to reserves.

DIRECTORS

The directors during the year were as follows:

K. Arif, FIA  
R.A. Martin

None of the directors had any beneficial interests in shares of either the company or any other company in the group.

AUDITORS

In accordance with Section 386 of the Companies Act, the company has elected to dispense with the requirement to re-appoint the auditors annually.

KNIGHTS PROPERTY COMPANY LIMITEDSTATEMENT 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 of the company for that period. In preparing those financial statements, the directors confirm that

- ◆ suitable accounting policies have been applied consistently;
- ◆ reasonable and prudent judgements have been made;
- ◆ applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ◆ the financial statements have been prepared on the going concern basis.

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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



Director

17<sup>th</sup> October 2005

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

### KNIGHTS PROPERTY COMPANY LIMITED

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the note of historical cost profits and losses and the related notes which have been prepared under the accounting policies set out in note 1.

#### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

#### Basis of audit 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 at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

*PricewaterhouseCoopers LLP*

Chartered Accountants and Registered Auditors  
Bristol

18 October 2005

KNIGHTS PROPERTY COMPANY LIMITEDPROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31 DECEMBER 2004CONTINUING OPERATIONS

	<u>Notes</u>	<u>2004</u> £	<u>2003</u> £
TURNOVER	1(a)	1,290,241	1,563,075
Administrative expenses		<u>246,325</u>	<u>(1,112,016)</u>
OPERATING PROFIT	4	1,536,566	451,059
Profit on sale of property		130,000	954,957
Interest receivable and similar income	5	<u>411,055</u>	<u>12,688,355</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,077,621	14,094,371
Tax on profit on ordinary activities	6	<u>(720,785)</u>	<u>(559,187)</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR		<u>1,356,836</u>	<u>13,535,184</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Profit for the financial year		1,356,836	13,535,184
Unrealised surplus/(deficit) on revaluation of properties	12	<u>905,336</u>	<u>(961,750)</u>
Total recognised gains relating to the year		<u>2,262,172</u>	<u>12,573,434</u>

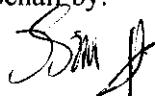
NOTE OF HISTORICAL COST PROFITS AND LOSSES

Reported profit on ordinary activities before taxation		2,077,621	14,094,371
Difference between a historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount		(145,596)	(181,782)
Difference between historic cost profit on disposal and actual profit on the revalued amount		3,622,252	-
Property revaluation (gains)/losses in the year		<u>(702,464)</u>	<u>508,260</u>
Historical cost profit on ordinary activities before taxation		<u>4,851,813</u>	<u>14,420,849</u>
Historical cost profit for the year retained after taxation		<u>4,131,028</u>	<u>13,861,662</u>

KNIGHTS PROPERTY COMPANY LIMITEDBALANCE SHEETAS AT 31 DECEMBER 2004

	Notes	2004	2003
		£	£
<u>FIXED ASSETS</u>			
Tangible assets	7	14,950,000	27,044,911
<u>CURRENT ASSETS</u>			
Debtors	8	994,568	243,326
Cash at bank		10,544,813	9,754,141
		11,539,381	9,997,467
<u>CREDITORS</u>			
Amounts falling due within one year	9	(1,474,210)	(1,289,379)
NET CURRENT ASSETS		10,065,171	8,708,088
TOTAL ASSETS LESS CURRENT LIABILITIES		25,015,171	35,752,999
<u>CREDITORS</u>			
Amounts falling due after more than one year	10	(11,647,624)	(24,647,624)
NET ASSETS		13,367,547	11,105,375
<u>CAPITAL AND RESERVES</u>			
Called up share capital	11	100	100
Profit and loss account	12	11,867,352	9,637,558
Revaluation reserve	12	1,500,095	1,467,717
EQUITY SHAREHOLDERS' FUNDS	13	13,367,547	11,105,375

These accounts on pages 5 to 12 were approved by the board of directors on 17<sup>th</sup> October 2005 and were signed on its behalf by:



DIRECTOR

# KNIGHTS PROPERTY COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2004

#### 1. ACCOUNTING POLICIES

The financial statements have been prepared on a going concern basis under the historical cost convention as modified by the revaluation of fixed assets, in accordance with applicable accounting standards and the accounting policies set out below.

##### a) Turnover

Turnover represents rental income from properties let to tenants, recognised on an accruals basis.

##### b) Depreciation

Depreciation is charged on a straight line basis so as to write off the value of completed buildings over 50 years. The value of land is not depreciated. The useful economic lives of the buildings are reviewed annually.

##### c) Fixed assets

The properties are valued annually by independent external Chartered Surveyors at Open Market Value, in accordance with RICS Appraisal and Valuation Manual. Gains and losses on revaluation are taken to the revaluation reserve until the carrying amount falls to depreciated historical cost after which it is recognised in the profit and loss account.

##### d) Deferred taxation

Deferred taxation is calculated on the liability method and consists of the estimated taxation, or relief from taxation, which is expected to arise in the foreseeable future from material timing differences. Deferred tax assets are recognised to the extent that it is more likely than not that the timing difference will crystallise. Deferred tax is not discounted and is calculated at the rates at which it is expected that the tax will arise. Movements in this taxation provision are charged to the Profit and Loss Account.

#### 2. CASH FLOW STATEMENT AND RELATED PARTY DISCLOSURES

The company is a wholly owned subsidiary of The National Farmers Union Mutual Insurance Society Limited and is included in the consolidated financial statements of The National Farmers Union Mutual Insurance Society Limited which are publicly available. Consequently, the company is exempt under the terms of Financial Reporting Standard (FRS) 1 (Revised 1996) from publishing a cash flow statement.

The company is also exempt under the terms of Financial Reporting Standard (FRS) 8 from disclosing related party transactions with entities that are part of The National Farmers Union Mutual Insurance Society group.



KNIGHTS PROPERTY COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31 DECEMBER 20043. DIRECTORS' EMOLUMENTS AND EMPLOYEE INFORMATION

The directors received no emoluments for the year ended 31 December 2004 (2003: nil). There were no employees during either year.

4. OPERATING PROFIT

	<u>2004</u>	<u>2003</u>
	£	£
Operating profit is stated after charging:		
Depreciation	362,800	469,990
Auditors' remuneration	6,110	5,875

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	<u>2004</u>	<u>2003</u>
	£	£
Loan Waiver from Parent Company	-	12,492,724
Bank interest	411,055	195,631
	<u>411,055</u>	<u>12,688,355</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>2004</u>	<u>2003</u>
	£	£
The taxation charge on the profit for the year:		
UK Corporation tax charge at 30% (2003: 30%)	698,150	373,838
Adjustments relating to prior years	(2,340)	251,350
Total current tax	695,810	625,188
Deferred tax - Origination and reversal of timing differences	24,975	(66,001)
Tax on profit on ordinary activities	<u>720,785</u>	<u>559,187</u>

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%).  
The differences are explained below:

	<u>2004</u>	<u>2003</u>
	£	£
Profit on ordinary activities before tax	2,077,621	14,094,371
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	623,286	4,228,311
Depreciation for period in excess of Capital Allowances	83,864	107,696
Non-taxable income	(39,000)	(4,034,304)
Taxable income not credited to Profit and Loss	30,000	72,135
Adjustment relating to prior years	(2,340)	251,350
	<u>695,810</u>	<u>625,188</u>

There was no tax effect of either the Loan Waiver by the Parent Company nor the profit on sale of the property.

KNIGHTS PROPERTY COMPANY LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004

7. <u>TANGIBLE FIXED ASSETS</u>	<u>2004</u>		<u>Total</u>
	<u>Land &amp; Buildings</u>	<u>Assets In Course of Construction</u>	
<u>Cost or valuation</u>	£	£	£
Cost at 1 January 2004 as previously reported	32,535,159	469,912	33,005,071
Correction	(5,960,160)	-	(5,960,160)
Cost at 1 January 2004 restated	26,574,999	469,912	27,044,911
Additions	-	443,273	443,273
Disposals	(12,999,999)	(913,185)	(13,913,184)
Revaluation	1,375,000	-	1,375,000
At 31 December 2004	14,950,000	-	14,950,000
<u>Depreciation</u>			
Depreciation at 1 January 2004 as previously reported	5,960,160	-	5,960,160
Correction	(5,960,160)	-	(5,960,160)
Depreciation at 1 January 2004 restated	-	-	-
Charged for the year	362,800	-	362,800
Disposals	(130,000)	-	(130,000)
Revaluation	(232,800)	-	(232,800)
At 31 December 2004	-	-	-
<u>Net book value</u>			
At 31 December 2004	14,950,000	-	14,950,000
At 31 December 2003	26,574,999	469,912	27,044,911

In finalising the results for the year ended 31 December 2004, the directors became aware that cost and accumulated depreciation of fixed assets at 1 January 2004 had been overstated where previously revalued properties had continued to show accumulated depreciation. This has been corrected in the current year, the impact had no effect on the Net Book Value of fixed assets or on profit or loss, but grossed up the disclosure note above.

All land and buildings are valued annually by independent external Chartered Surveyors at Open Market Value, in accordance with RICS Appraisal and Valuation Manual. If land and buildings had not been revalued they would have been included at the following amounts:

	<u>Land &amp; Buildings</u>
	£
Cost	25,269,843
Aggregate depreciation based on cost	(4,378,958)
Net book value based on cost	<u>20,890,885</u>

KNIGHTS PROPERTY COMPANY LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004

8. DEBTORS

	<u>2004</u>	<u>2003</u>
	£	£
Trade debtors	4,898	104,306
Intercompany debtors	872,169	-
Other debtors	20,012	16,017
Prepayment and accrued income	22,562	23,101
Deferred tax	74,927	99,902
	<u>994,568</u>	<u>243,326</u>

Deferred tax asset

	<u>2004</u>	<u>2003</u>
	£	£
Balance brought forward at 1 January	99,902	33,901
(Charged)/Credit to profit and loss account in respect of current year	(24,975)	66,001
Balance carried forward at 31 December	<u>74,927</u>	<u>99,902</u>
This balance relates to:		
Accelerated capital allowances	<u>74,927</u>	<u>99,902</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2004</u>	<u>2003</u>
	£	£
Trade creditors	25,790	18,262
Amounts due to Group Undertaking	443,273	619,912
Corporation tax	698,150	373,838
Other taxes	43,256	22,041
Other creditors	5,200	5,000
Accrual and deferred income	258,541	250,326
	<u>1,474,210</u>	<u>1,289,379</u>

10. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	<u>2004</u>	<u>2003</u>
	£	£
Amounts owed to parent undertaking	<u>11,647,624</u>	<u>24,647,624</u>

This is an interest free loan from the parent company and 12 months' notice of repayment is required; such notice has not been received.

KNIGHTS PROPERTY COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31 DECEMBER 200411. SHARE CAPITAL

	<u>2004</u> £	<u>2003</u> £
<u>Authorised:</u> 10,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
<u>Allotted and fully paid:</u> 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

12. RESERVES

	<u>Profit and Loss Account</u> £	<u>Revaluation Reserve</u> £	<u>Total</u> £
Balance at 1 January 2004	9,637,558	1,467,717	11,105,275
Retained profit for the year	1,356,836	-	1,356,836
Reserve Transfer	872,958	(872,958)	-
Revaluation in the year	<u>-</u>	<u>905,336</u>	<u>905,336</u>
Balance at 31 December 2004	<u>11,867,352</u>	<u>1,500,095</u>	<u>13,367,447</u>

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2004</u> £	<u>2003</u> £
Profit for the financial year	1,356,836	13,535,184
Other recognised gains relating to the year	905,336	(961,750)
Net addition to shareholders' funds	<u>2,262,172</u>	<u>12,573,434</u>
Opening equity shareholders' funds	<u>11,105,375</u>	<u>(1,468,059)</u>
Closing equity shareholders' funds	<u>13,367,547</u>	<u>11,105,375</u>

#### 14. ULTIMATE PARENT UNDERTAKING

The immediate parent company is NFU Mutual Management Company Limited, which is incorporated in England and Wales.

The company's ultimate parent undertaking and controlling party is The National Farmers Union Mutual Insurance Society Limited, which is incorporated in England and Wales. Copies of the consolidated financial statements of the ultimate controlling party can be obtained from the Secretary at the following address:

Tiddington Road,  
Stratford-upon-Avon.  
CV37 7BJ