

KNIGHTS PROPERTY COMPANY LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 1996

Registered Number : 1655420



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KNIGHTS PROPERTY COMPANY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1996

The directors present their report and the financial statements for the year ended 31 December 1996.

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

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.

The directors draw your attention to the fact that the cash flow statement on page 7, and the accompanying notes, have been prepared in accordance with FRS 1 (revised). The cash flow statement in the 1995 accounts was prepared in accordance with FRS 1, and the 1995 comparatives have been restated here to reflect the revised format.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not recommend the payment of a dividend. The profit for the financial year of £266,023 (1995 £378,315) will be transferred to reserves.

PROPERTY VALUATION

The properties owned by the company were revalued and the deficit arising there from of £612,600 has been recognised in the financial statements. The company's parent, National Farmers Union Mutual Insurance Society Limited, has agreed in consequence to waive £612,600 of the interest free loan made to the company for the original property developments.

DIRECTORS

The directors during the year were as follows:

A.S. Young, FCII
N. Carter, FCA
R.A. Deacon, LLB
D.F. Tigwell, FCII

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

Mr. D.F. Tigwell retires by rotation, and, being eligible, offers himself for re-election.

AUDITORS

In accordance with Section 384 of the Companies Act 1985 a resolution proposing the reappointment of Coopers & Lybrand as auditors to the company will be put to the Annual General Meeting.

By order of the Board


W.E. Cooper,
Secretary

17 April 1997

KNIGHTS PROPERTY COMPANY LIMITED


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 of the company 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 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


W.E. Cooper,
Secretary

17 April 1997

REPORT OF THE AUDITORS TO THE MEMBERS OF
KNIGHTS PROPERTY COMPANY LIMITED

We have audited the financial statements on pages 5 to 13.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

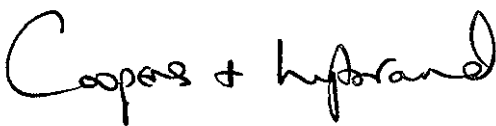
Basis of opinion

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 mis-statement, 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 1996 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



COOPERS & LYBRAND
Chartered Accountants and Registered Auditors
Birmingham

18 April 1997

KNIGHTS PROPERTY COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1996

		<u>1996</u>	<u>1995</u> <u>as restated</u>
<u>Continuing Operations</u>	<u>Notes</u>	<u>£</u>	<u>£</u>
TURNOVER	2(b)	1,218,696	1,140,433
Other operating income		-	25,000
Administrative expenses		(752,616)	(590,543)
Exceptional items	4	-	-
Profit on disposal of fixed assets		-	367
OPERATING PROFIT		466,080	575,257
Interest receivable and similar income		2191	11,848
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	468,271	587,105
Tax on profit on ordinary activities	6	(202,248)	(208,790)
RETAINED PROFIT FOR THE FINANCIAL YEAR		266,023	378,315
RETAINED PROFITS BROUGHT FORWARD		2,078,787	1,700,472
RETAINED PROFITS CARRIED FORWARD		<u>2,344,810</u>	<u>2,078,787</u>


STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains and losses other than those included in the profits above and, therefore, no separate statement of total recognised gains and losses has been presented.

NOTE OF HISTORICAL COST PROFITS AND LOSSES

Reported profit on ordinary activities before taxation	468,271	587,105
Difference between a historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	<u>(229,160)</u>	<u>(260,823)</u>
Historical cost profit on ordinary activities before taxation	<u>239,111</u>	<u>326,282</u>
Historical cost profit for the year retained after taxation	<u>36,863</u>	<u>117,492</u>

AS AT 31 DECEMBER 1996

These accounts on pages 5 to 13 were approved by the Board of Directors on 17 April 1997 and were signed on its behalf by: 

by: *Arlo*

A.S. YOUNG, DIRECTOR

N. CARTER, DIRECTOR

KNIGHTS PROPERTY COMPANY LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 1996

		<u>1996</u>	<u>1995</u> (as revised)
	<u>Notes</u>	£	£
<u>Net cash flow from operating activities</u>	14	744,688	765,602
<u>Returns on investments and servicing of finance</u>			
Interest received		2,221	2,471
<u>Taxation</u>			
Corporation tax paid		(208,669)	(150,895)
<u>Capital expenditure and financial investment</u>			
Purchase of fixed assets		(1,190,839)	(651,719)
Sale of fixed assets		-	160,380
		(1,190,839)	(491,339)
<u>Equity dividends paid</u>		-	-
		(652,599)	125,839
<u>Management of liquid resources</u>		-	-
<u>Financing</u>			
Increase in long term borrowing		2,109,000	779,000
Repayment of loan		(1,455,000)	(889,000)
		654,000	(110,000)
Increase in cash		1,401	15,839
<u>Reconciliation of net cashflow to movement in net debt</u>			
Increase in cash in the period		1,401	15,839
Cash (outflow)/inflow from increase in debt		(654,000)	110,000
Changes in net debt resulting from cashflows		(652,599)	125,839
Waiver of long term loan		612,600	2,128,000
Movement in net debt in the period		(39,999)	2,253,839
Net debt at 1 January 1996		(20,888,038)	(23,141,877)
Net debt at 31 December 1996	15	(20,928,037)	(20,888,038)

KNIGHTS PROPERTY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1996

1. ULTIMATE HOLDING COMPANY

The company is a subsidiary of NFU Mutual Management Company Limited, which is incorporated in England and Wales.

The directors consider the company's ultimate holding company to be The National Farmers Union Mutual Insurance Society Limited, which is incorporated in England and Wales.

2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently are set out below.

a) Basis of accounting

The financial statements have been prepared on the historical cost convention as adjusted for the revaluation of fixed assets.

b) Turnover

Turnover represents rental income from properties let to tenants.

c) 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.

d) Fixed assets

The properties are valued annually on an open market basis by the Group's professional staff who are members of the Royal Institution of Chartered Surveyors, and the aggregate surplus or deficit is transferred to the interest free loan from the parent company.

e) 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. Provision has not been made to the extent that tax allowances have been surrendered to group companies without payment being made to compensate. In such cases provision has been made in the accounts of the parent company.

3. DIRECTORS' EMOLUMENTS AND EMPLOYEE INFORMATION

The directors received no emolument for the year ended 31 December 1996 and 31 December 1995. There were no employees during either year.

4. EXCEPTIONAL ITEMS

	<u>1996</u>	<u>1995</u>
	£	£
Waiver of liabilities due to parent company	612,600	2,128,000
Deficit arising from revaluation of fixed assets	(612,600)	(2,128,000)
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

The properties owned by the company were revalued and the deficit arising there from of £612,600 has been recognised in the financial statements. The company's parent, National Farmers Union Mutual Insurance Society Limited, has agreed in consequence to waive £612,600 of the interest free loan made to the company for the original property developments.

KNIGHTS PROPERTY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1996

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1996</u>	<u>1995</u>
	£	£
Profit on ordinary activities is stated after charging :		
Depreciation	366,632	340,135
Auditors' remuneration	<u>2,350</u>	<u>2,350</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge for the year comprises :		
Corporation tax charge at 33% (1995 - 33%) on the profit for the year	202,370	208,790
Overprovision of tax in previous years	(122)	-
	<u>202,248</u>	<u>208,790</u>

7. TANGIBLE FIXED ASSETS

<u>Cost/valuation</u>	<u>Land & Buildings</u> £
At 1 January 1996	25,866,301
Additions	1,557,858
Deficit on revaluation	(612,600)
	<u>26,811,559</u>
At 31 December 1996	
<u>Depreciation</u>	
At 1 January 1996	2,821,532
Charged for the year	366,632
	<u>3,188,164</u>
At 31 December 1996	
<u>Net book value</u>	
At 31 December 1996	<u>23,623,395</u>
At 31 December 1995	<u>23,044,769</u>

KNIGHTS PROPERTY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1996

All land and buildings are valued annually by the Group's professional staff who are members of the Royal Institute of Chartered Surveyors and by independent external Chartered Surveyors. If land and buildings had not been revalued they would have been included at the following amounts:

	<u>Land and Buildings</u> £
Cost	46,695,159
Aggregate depreciation based on cost	(4,086,934)
	<hr/>
Net book value based on cost	<u>42,608,225</u>

Depreciation has not been charged on freehold land, or buildings under construction at Norwich, which are stated at their revalued amounts of £2,429,069 and £3,229,336 respectively (1995 £3,277,049 and £3,101,092)

8. <u>DEBTORS</u>	<u>1996</u> £	<u>1995</u> £
Amount owed by parent undertaking	24,567	957
Amount owed by fellow subsidiary undertaking	-	473,845
Other debtors	565,927	10,550
Prepayment and accrued income	45,652	43,606
Other taxes	162,320	-
	<hr/>	<hr/>
	<u>798,466</u>	<u>528,958</u>

9. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

Trade creditors	711,228	145,376
Amounts owed to parent undertaking	16,744	27,011
Corporation tax	202,370	208,790
Other taxes	-	13,013
Other creditors	5,496	5,466
Accrual and deferred income	213,076	207,146
	<hr/>	<hr/>
	<u>1,148,914</u>	<u>606,802</u>

KNIGHTS PROPERTY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1996

10. CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>1996</u> £	<u>1995</u> £
Amounts owed to parent undertaking	<u>21,032,248</u>	<u>20,990,848</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

11. PROVISION FOR LIABILITIES AND CHARGES

The maximum potential liability, including that which relates to group companies in respect of group relief, at a corporation tax rate of 33% (1995 - 33%), amounted to £1,778,733 at 31 December 1996 (1995 £1,751,997).

Provision is made in the accounts of the ultimate holding company for the amount of £1,779,000 (1995 £1,698,000) that is anticipated will reverse in the foreseeable future.

12. SHARE CAPITAL

	<u>1996</u> £	<u>1995</u> £
<u>Authorised :</u>		
10,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
 <u>Allotted, called up and fully paid :</u>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

At 1 January 1996	2,078,887	1,700,572
Profit for the financial year	266,023	378,315
	<u>2,344,910</u>	<u>2,078,887</u>
At 31 December 1996		

KNIGHTS PROPERTY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996

14. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Operating profit	466,080	575,257
Depreciation	366,632	340,135
Profit on disposal of fixed asset	-	(367)
(Increase)/decrease in debtors	(743,353)	23,326
Increase/(decrease) in creditors	<u>655,329</u>	<u>(172,749)</u>
Net cash inflow from operating activities	<u><u>744,688</u></u>	<u><u>765,602</u></u>

15. ANALYSIS OF CHANGES IN NET DEBT

	<u>At</u>	<u>Cash flows</u>	<u>Other changes</u>	<u>At</u>
	<u>1 January</u>			<u>31 December</u>
	<u>1996</u>			<u>1996</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Cash at bank	102,810	1,401	-	104,211
Debt due after 1 year	(20,990,848)	(654,000)	612,600	(21,032,248)
	<u>(20,888,038)</u>	<u>(652,599)</u>	<u>612,600</u>	<u>(20,928,037)</u>

	<u>At</u>	<u>Cash flows</u>	<u>Other changes</u>	<u>At</u>
	<u>1 January</u>			<u>31 December</u>
	<u>1995</u>			<u>1995</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Cash at bank	86,971	15,839	-	102,810
Debt due after 1 year	(23,228,848)	110,000	2,128,000	(20,990,848)
	<u>(23,141,877)</u>	<u>125,839</u>	<u>2,128,000</u>	<u>(20,888,038)</u>

KNIGHTS PROPERTY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996

16. COMMITMENTS

Capital commitments at 31 December 1996 for which no provision has been made in these accounts were as follows:

	<u>1996</u>	<u>1995</u>
	£	£
Contracted	<u>108,709</u>	<u>1,781,961</u>
Authorised but not contracted	<u>-</u>	<u>-</u>