

KNIGHTS PROPERTY COMPANY LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2009

Registered Number: 1655420

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KNIGHTS PROPERTY COMPANY LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009

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KNIGHTS PROPERTY COMPANY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2009

The directors present their report and audited financial statements of the Company for the year ended 31 December 2009

PRINCIPAL ACTIVITY

The principal activity of the Company continues to be the owning of land and buildings that 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 6

During the course of the year the properties held within Knights Property Company Limited were sold to the parent company, resulting in the income and expenditure on these properties being classified as discontinued operations

Total profit before tax for the year was £391,183 (2008: loss of £894,841), of which £363,583 (2008: nil) was classified as discontinued

Given the straight forward nature of the accounts and the fact that the majority of income and expenditure is between Group companies, the Directors are of the opinion that an analysis using key performance indicators is not necessary

DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not recommend the payment of a dividend (2008: £nil)

The retained profit for the financial year of £216,444 (2008: Loss of £1,188,215) will be offset against reserves

FINANCIAL INSTRUMENTS

The Company is exposed to financial risk through its financial assets and financial liabilities. In particular, the key risks relate to cashflow risk and interest rate risk

Cashflow Risk

The risk is that current assets are insufficient to meet obligations to third party creditors. This position is managed by ensuring that sufficient money can be called of short-term deposit to cover the projected cashflows when they fall due

Interest Rate Risk

There is a risk that interest rates may fall resulting in reduced income from deposits. The directors do not consider this risk to be material

KNIGHTS PROPERTY COMPANY LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2009

GOING CONCERN

After making enquiries, the Directors consider 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 financial statements

DIRECTORS

The directors during the year were as follows


K Arif, B Soc Sc (Hons), F I A
R A Martin, F R I C S (Retired 30/06/10)
R M Topps, BSc (Hons) MRICS (appointed 01/07/10)

The parent company has put in place deeds of indemnity for the benefit of the Directors and Company Secretary of the parent company and of its associated companies. The deeds of indemnity are qualifying third party indemnity provisions in accordance with the Companies Act 2006. The qualifying third party indemnity was in force during the financial year and also at the date of approval of the financial statements.

INDEPENDENT AUDITORS

Prior to the implementation of the Companies Act 2006 the Company elected to dispense with the requirement to reappoint the auditors annually, as a result, the auditors are deemed to be re-appointed under the Companies Act 2006.

By Order of the Board



K Arif
Director

24 . 8 . 2010

KNIGHTS PROPERTY COMPANY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 judgements and accounting 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,
- ◆ 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Information given to auditors

In accordance with Section 418, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that

- ◆ so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- ◆ the director has taken all the steps that they ought to have taken as a director to make them self aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board



K Arif
Director

24/8/2010

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

We have audited the financial statements of Knights Property Company Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Note of Historical Cost Profit and Losses, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

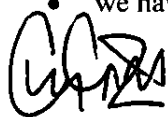
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Craig Gentle (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

24 August 2010

KNIGHTS PROPERTY COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2009

	<u>Notes</u>	<u>Continued</u> <u>Operations</u> <u>2009</u>	<u>Discontinued</u> <u>Operations</u> <u>2009</u>	<u>Total</u> <u>2009</u>	<u>2008</u>
		£	£	£	£
TURNOVER	1(b)	-	694,618	694,618	1,048,831
Administrative expenses		-	(222,222)	(222,222)	(2,119,689)
Loss on sale of Property	8	-	(108,813)	(108,813)	-
OPERATING PROFIT/(LOSS)	4	-	363,583	363,583	(1,070,858)
Interest receivable and similar income	5	27,600	-	27,600	176,017
PROFIT /(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		27,600	363,583	391,183	(894,841)
Tax on ordinary activities	6	(7,728)	(167,011)	(174,739)	(293,374)
RETAINED PROFIT/(LOSS) FOR THE YEAR	12	19,872	196,572	216,444	(1,188,215)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Profit/(Loss) for the financial year		216,444	(1,188,215)
Unrealised surplus/(deficit) on revaluation of properties	12	-	(1,848,359)
Total recognised gains/(losses) relating to the year		216,444	(3,036,574)

NOTE OF HISTORICAL COST PROFITS AND LOSSES

Profit/(Loss) on ordinary activities before taxation		391,183	(894,841)
Realisation of property revaluation (losses)/gains of prior years		(8,423,886)	-
Difference between the historical cost depreciation and the actual depreciation charge for the year calculated on the revalued amount		130,464	78,732
Revaluation loss recorded within the profit and loss		-	(1,730,261)
Historical Cost (loss) on ordinary activities before taxation		(7,902,239)	(2,546,370)
Historical Cost (loss) for the year retained after tax		(8,076,978)	(2,839,744)

The notes on Pages 8-12 are an integral part of the financial statements

KNIGHTS PROPERTY COMPANY LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2009

	<u>Notes</u>	<u>2009</u>	<u>2008</u>
		£	£
<u>FIXED ASSETS</u>			
Tangible assets	7	-	9,825,000
<u>CURRENT ASSETS</u>			
Debtors	9	55,735	509,487
Cash at bank and in hand		7,214,135	38,730
Deposits with credit institutions		6,700,000	3,640,000
		<u>13,969,870</u>	<u>4,188,217</u>
<u>CREDITORS</u>			
Amounts falling due within one year	10	<u>(256,311)</u>	<u>(516,102)</u>
NET CURRENT ASSETS		13,713,559	3,672,115
NET ASSETS		<u>13,713,559</u>	<u>13,497,115</u>
<u>CAPITAL AND RESERVES</u>			
Called up share capital	11	100	100
Profit and loss account	12	13,713,459	13,342,554
Revaluation reserve	12	-	154,461
EQUITY SHAREHOLDERS' FUNDS	13	<u>13,713,559</u>	<u>13,497,115</u>

The notes on Pages 8-12 are an integral part of the financial statements

The financial statements on pages 6 to 12 were approved by the board of directors on 24/8/2010 and were signed on its behalf by


K Arif
DIRECTOR

KNIGHTS PROPERTY COMPANY LIMITED
Registered Number 1655420

KNIGHTS PROPERTY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

1 ACCOUNTING POLICIES

These financial statements have been prepared on the going concern basis, under the historical cost convention, as modified by the revaluing of fixed assets, and in accordance with the Companies Act 2006 and applicable accounting standards and accounting policies in the United Kingdom. The main accounting policies are set out below:

a) New accounting standards

No new accounting standards were adopted during the year.

b) Turnover

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

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. The useful economic lives of the buildings are reviewed annually.

d) 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. Any subsequent reversals of a loss are written back (to the extent that it reverses a loss after adjusting for depreciation) against the profit or loss account. All subsequent gains or losses (if above historical cost) are taken to the revaluation reserve. The profit or loss on disposal of a tangible fixed asset is the difference between the net sale proceeds and the net carrying amount and is recognised in the profit and loss account in the year of disposal.

e) Cash at bank and in hand

Cash at bank and in hand represents deposits repayable on demand with any qualifying financial institution and cash in hand.

f) Deposits with Credit Institutions

Deposits with credit institutions represents deposits with qualifying financial institutions subject to time restrictions or penalties for early withdrawal.

g) 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.

h) Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on Pages 2-3. The financial position of the Company, are described in pages 6-12. The Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. For this reason the Directors continue to adopt the going concern basis in preparing the annual report and accounts.

KNIGHTS PROPERTY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

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 1 (Revised 1996) from publishing a cash flow statement. The Company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of The National Farmers Union Mutual Insurance Society group.

3 DIRECTORS' EMOLUMENTS AND EMPLOYEE INFORMATION

The directors received no emoluments for the year ended 31 December 2009 (2008 nil). There were no employees during the year (2008 nil).

4 OPERATING PROFIT/(LOSS)

	<u>2009</u>	<u>2008</u>
	£	£
Operating profit/(loss) is stated after charging		
Depreciation	94,643	186,380
Auditors' remuneration	7,773	7,245

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	<u>2009</u>	<u>2008</u>
	£	£
Bank interest	27,600	176,017

6 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	<u>2009</u>	<u>2008</u>
	£	£
The taxation charge on the profit/(loss) for the year		
UK Corporation tax charge at 28% (2008 28.5%)	144,735	284,748
Adjustments relating to prior years	6,465	139
Total current tax	151,200	284,887
Deferred tax - Origination and reversal of timing differences	23,539	8,487
Tax on profit/(loss) on ordinary activities	174,739	293,374

The tax assessed for the year is lower than the standard rate of corporation tax in the UK at 28% (2008 28.5%).

The differences are explained below

	<u>2009</u>	<u>2008</u>
	£	£
Profit on ordinary activities before tax	391,183	(894,842)
Profit/(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008 28.5%)	109,531	(255,030)
Capital Allowances for period in excess of Depreciation	4,736	46,653
Revaluation of property	-	493,125
Loss on disposal of property	30,468	-
Adjustment relating to prior years	6,465	139
	151,200	284,887

KNIGHTS PROPERTY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

7 TANGIBLE FIXED ASSETS

	<u>Land & Buildings</u> £
<u>Cost or valuation</u>	
Carrying Value at 1 January 2009	9,825,000
Disposals	(9,825,000)
At 31 December 2009	<u>-</u>
<u>Depreciation</u>	
Depreciation at 1 January 2009	-
Charged for the year	94,643
Disposals	(94,643)
At 31 December 2009	<u>-</u>
<u>Net book value</u>	
At 31 December 2009	-
At 31 December 2008	<u>9,825,000</u>

All land and buildings were sold during the year of 2009

8 EXCEPTIONAL ITEM AND DISCONTINUED OPERATIONS

Sale of Properties

During the year the company sold all properties to the parent company, The National Farmers Union Mutual Insurance Society Limited. The difference between the carrying value and sales proceeds, together with disposal costs, has been recognised in the profit and loss account. The impact of the disposals on the profit and loss account and on the balance sheet is as follows:

	£
<u>Balance Sheet</u>	
Carrying Value at 1 January 2009	9,825,000
Depreciation recognised in administrative expenses	(94,643)
Loss on sale of property	(29,356)
Sales proceeds	(9,701,001)
Carrying Value at 31 December 2009	<u>-</u>
<u>Profit and Loss Account</u>	
Exceptional item.	
Loss on disposal of property	29,356
Disposal costs	79,457
Total loss on disposal of property	<u>108,813</u>

All operations relating to the properties have been classified as discontinued, this includes all turnover, which represented rent and all administrative expenses. The only continuing operation is the interest earned on cash deposits.

KNIGHTS PROPERTY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

9 DEBTORS

	<u>2009</u>	<u>2008</u>
	£	£
Trade debtors	49,705	457,892
Amount due from Group Undertaking	4,963	22,564
Prepayment and accrued income	1,051	3,577
Deferred tax	-	23,539
Other Debtors	16	1,915
	<u>55,735</u>	<u>509,487</u>

Deferred tax asset

	<u>2009</u>	<u>2008</u>
	£	£
Balance brought forward at 1 January 2009	23,539	32,026
Charged to profit and loss account in respect of current year	(23,539)	(8,487)
Balance carried forward at 31 December 2009	<u>-</u>	<u>23,539</u>
This balance relates to		
Accelerated capital allowances	<u>-</u>	<u>23,539</u>

10 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2009</u>	<u>2008</u>
	£	£
Trade creditors	(125)	9,708
Amounts due to Group Undertaking	16,847	19,329
Inter-Company Creditor	77,804	
Corporation tax	144,735	284,748
Other taxes	-	-
Other creditors	2,032	9,763
Accrual and deferred income	15,018	192,554
	<u>256,311</u>	<u>516,102</u>

11 SHARE CAPITAL

	<u>2009</u>	<u>2008</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>

KNIGHTS PROPERTY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

12 <u>RESERVES</u>	<u>Share Capital</u>	<u>Profit and Loss Account</u>	<u>Revaluation Reserve</u>	<u>Total</u>
		£	£	£
Balance at 1 January 2009	100	13,342,554	154,461	13,497,115
Retained profit for the year	-	216,444		216,444
Realised profit on disposal of property	-	154,461	(154,461)	-
Balance at 31 December 2009	<u>100</u>	<u>13,713,459</u>	<u>-</u>	<u>13,713,559</u>

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	<u>2009</u>	<u>2008</u>
	£	£
Profit/(Loss) for the financial year	216,444	(1,188,215)
Other recognised gains/(losses) relating to the year	-	(1,848,359)
Net addition to shareholders' funds	<u>216,444</u>	<u>(3,036,574)</u>
Opening equity shareholders' funds	<u>13,497,115</u>	<u>16,533,689</u>
Closing equity shareholders' funds	<u>13,713,559</u>	<u>13,497,115</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.

The National Farmers Union Mutual Insurance Society Limited is the only parent undertaking to consolidate these financial statements at 31 December 2009. The consolidated financial statements of The National Farmers Union Mutual Insurance Society Limited are available from the Secretary at the following address:

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