

**KNIGHTS PROPERTY COMPANY LIMITED**

**ANNUAL REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2003**

**Registered Number : 1655420**



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KNIGHTS PROPERTY COMPANY LIMITED  
ANNUAL REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2003

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KNIGHTS PROPERTY COMPANY LIMITEDDIRECTORS' REPORTFOR THE YEAR ENDED 31 DECEMBER 2003

The directors present their report and audited financial statements of the company for the year ended 31 December 2003.

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 (2002: £nil).

The profit for the financial year of £13,535,184 (2002: £600,272) will be transferred to reserves.

DIRECTORS

The directors during the year were as follows:

K. Arif, FIA

R.A. Martin

J.D. Creechan, LLB.LLM.Solicitor (resigned 3 July 2003)

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

\_\_\_\_\_ 5/7/2004

INDEPENDENT AUDITOR'S 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 2003 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

5 July 2004

KNIGHTS PROPERTY COMPANY LIMITEDPROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31 DECEMBER 2003

	<u>Notes</u>	<u>2003</u> £	<u>2002</u> £
TURNOVER	1(a)	1,563,075	1,669,707
Administrative expenses		<u>(1,112,016)</u>	<u>(636,451)</u>
OPERATING PROFIT	4	451,059	1,033,256
Profit on sale of property		954,957	-
Interest receivable and similar income	5	<u>12,688,355</u>	<u>100,318</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		14,094,371	1,133,574
Tax on profit on ordinary activities	6	<u>(559,187)</u>	<u>(533,302)</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR		<u>13,535,184</u>	<u>600,272</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Profit for the financial year		13,535,184	600,272
Unrealised (deficit)/surplus on revaluation of properties	12	<u>(961,750)</u>	<u>661,215</u>
Total recognised gains relating to the year		<u>12,573,434</u>	<u>1,261,487</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

Reported profit on ordinary activities before taxation		14,094,371	1,133,574
Difference between a historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount		(181,782)	(167,160)
Property revaluation losses/(gains) in the year		<u>508,260</u>	<u>(45,920)</u>
Historical cost profit on ordinary activities before taxation		<u>14,420,849</u>	<u>920,494</u>
Historical cost profit for the year retained after taxation		<u>13,861,662</u>	<u>387,192</u>

KNIGHTS PROPERTY COMPANY LIMITEDBALANCE SHEETAS AT 31 DECEMBER 2003

	<u>Notes</u>	<u>2003</u>	<u>2002</u>
		£	£
<u>FIXED ASSETS</u>			
Tangible assets	7	27,044,911	33,765,000
<u>CURRENT ASSETS</u>			
Debtors	8	243,326	527,577
Cash at bank		9,754,141	2,315,802
		<u>9,997,467</u>	<u>2,843,379</u>
<u>CREDITORS</u>			
Amounts falling due within one year	9	<u>(1,289,379)</u>	<u>(936,090)</u>
NET CURRENT ASSETS		<u>8,708,088</u>	<u>1,907,289</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>35,752,999</u>	<u>35,672,289</u>
<u>CREDITORS</u>			
Amounts falling due after more than one year	10	<u>(24,647,624)</u>	<u>(37,140,348)</u>
NET ASSETS/(LIABILITIES)		<u>11,105,375</u>	<u>(1,468,059)</u>
<u>CAPITAL AND RESERVES</u>			
Called up share capital	11	100	100
Profit and loss account	12	9,637,558	(4,347,009)
Revaluation reserve	12	<u>1,467,717</u>	<u>2,878,850</u>
EQUITY SHAREHOLDERS' FUNDS	13	<u>11,105,375</u>	<u>(1,468,059)</u>

These accounts on pages 5 to 12 were approved by the board of directors on  
and were signed on its behalf by:



DIRECTOR

KNIGHTS PROPERTY COMPANY LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003

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.

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 LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003

3. DIRECTORS' EMOLUMENTS AND EMPLOYEE INFORMATION

The directors received no emoluments for the year ended 31 December 2003 (2002: nil). There were no employees during either year.

4. OPERATING PROFIT

	<u>2003</u>	<u>2002</u>
	£	£
Operating profit is stated after charging:		
Depreciation	469,990	600,135
Auditors' remuneration	<u>5,875</u>	<u>5,129</u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	<u>2003</u>	<u>2002</u>
	£	£
Loan Waiver from Parent Company	12,492,724	-
Service Charges	-	69,601
Bank interest	<u>195,631</u>	<u>30,717</u>
	<u>12,688,355</u>	<u>100,318</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>2003</u>	<u>2002</u>
	£	£
The taxation charge on the profit for the year:		
UK Corporation tax charge at 30% (2002: 30%)	373,838	508,813
Adjustments relating to prior years	<u>251,350</u>	<u>13,192</u>
Total current tax	<u>625,188</u>	<u>522,005</u>
Deferred tax - Origination and reversal of timing differences	<u>(66,001)</u>	<u>11,297</u>
Tax on profit on ordinary activities	<u>559,187</u>	<u>533,302</u>

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

	<u>2003</u>	<u>2002</u>
	£	£
Profit on ordinary activities before tax	<u>14,094,371</u>	<u>1,133,574</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	4,228,311	340,072
Depreciation for period in excess of Capital Allowances	107,696	168,741
Non-taxable income	(4,034,304)	-
Taxable income not credited to Profit and Loss	72,135	-
Adjustment to prior years	<u>251,350</u>	<u>13,192</u>
	<u>625,188</u>	<u>522,005</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 2003

7. <u>TANGIBLE FIXED ASSETS</u>	<u>2003</u>		<u>Total</u>
	<u>Land &amp; Buildings</u>	<u>Assets In Course of Construction</u>	
<u>Cost or valuation</u>	<u>£</u>	<u>£</u>	<u>£</u>
At 1 January 2003	40,147,734	-	40,147,734
Additions	-	469,912	469,912
Disposals	(6,142,565)	-	(6,142,565)
Revaluation	(1,470,010)	-	(1,470,010)
At 31 December 2003	32,535,159	469,912	33,005,071
<u>Depreciation</u>			
At 1 January 2003	6,382,734	-	6,382,734
Charged for the year	469,990	-	469,990
Disposals	(892,564)	-	(892,564)
At 31 December 2003	5,960,160	-	5,960,160
<u>Net book value</u>			
At 31 December 2003	26,574,999	469,912	27,044,911
At 31 December 2002	33,765,000	-	33,765,000

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> <u>£</u>
Cost	39,607,437
Aggregate depreciation based on cost	(9,596,092)
Net book value based on cost	30,011,345

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

KNIGHTS PROPERTY COMPANY LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31 DECEMBER 200311. SHARE CAPITAL

	<u>2003</u> £	<u>2002</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</u> <u>Loss Account</u> £	<u>Revaluation</u> <u>Reserve</u> £	<u>Total</u> £
Balance at 1 January 2003	(4,347,009)	2,878,850	(1,468,159)
Retained profit for the year	13,535,184	-	13,535,184
Reserve Transfer	449,383	(449,383)	-
Revaluation in the year	<u>-</u>	<u>(961,750)</u>	<u>(961,750)</u>
Balance at 31 December 2003	<u>9,637,558</u>	<u>1,467,717</u>	<u>11,105,275</u>

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2003</u> £	<u>2002</u> £
Profit for the financial year	13,535,184	600,272
Other recognised gains relating to the year	<u>(961,750)</u>	<u>661,215</u>
Net addition to shareholders' funds	12,573,434	1,261,487
Opening equity shareholders' funds	<u>(1,468,059)</u>	<u>(2,729,546)</u>
Closing equity shareholders' funds	<u>11,105,375</u>	<u>(1,468,059)</u>

KNIGHTS PROPERTY COMPANY LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003

8. <u>DEBTORS</u>	<u>2003</u>	<u>2002</u>
	£	£
Trade debtors	104,306	480,080
Other debtors	16,017	8,404
Prepayment and accrued income	23,101	5,192
Deferred tax	99,902	33,901
	<u>243,326</u>	<u>527,577</u>
 <u>Deferred tax asset</u>	 <u>2003</u>	 <u>2002</u>
	£	£
Balance brought forward at 1 January	33,901	45,198
Credit/(Charged) to profit and loss account in respect of current year	66,001	(11,297)
Balance carried forward at 31 December	<u>99,902</u>	<u>33,901</u>
This balance relates to:		
Accelerated capital allowances	<u>99,902</u>	<u>33,901</u>

9. <u>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</u>	<u>2003</u>	<u>2002</u>
	£	£
Trade creditors	18,262	27,788
Amounts due to Group Undertaking	619,912	-
Corporation tax	373,838	508,813
Other taxes	22,041	45,930
Other creditors	5,000	6,205
Accrual and deferred income	250,326	347,354
	<u>1,289,379</u>	<u>936,090</u>

10. <u>CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR</u>	<u>2003</u>	<u>2002</u>
	£	£
Amounts owed to parent undertaking	<u>24,647,624</u>	<u>37,140,348</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.