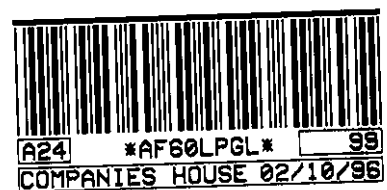


KNIGHTS PROPERTY COMPANY LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 1995

Registered Number : 1655420



KNIGHTS PROPERTY COMPANY LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 1995

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KNIGHTS PROPERTY COMPANY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1995

The directors present their annual report and the financial statements for the year ended 31 December 1995.

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. The directors expect the activities will be sustained during the foreseeable future.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not recommend the payment of a dividend. The profit for the financial year of £378,315 (1994 £368,951) will be transferred to reserves.

PROPERTY VALUATION

Certain of the properties owned by the company were revalued and the deficit arising there from of £2,128,000 has been recognised in the financial statements. The company's parent, National Farmers Union Mutual Insurance Society Limited, has agreed in consequence to waive £2,128,000 of the interest free loan made to the company for the original property developments.

DIRECTORS

The directors during the year were as follows:

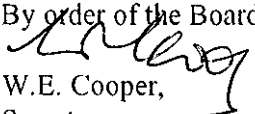
A.S. Young, FCII
N. Carter, FCA
R.A. Deacon, LLB
D.F. Tigwell, FCH

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

Mr. R.A. Deacon 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

21 March 1996

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.

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

We have audited the financial statements on pages 5 to 12.

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.

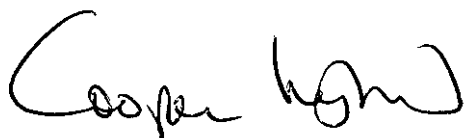
Basis of opinion

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 1995 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
Liverpool

~~22 March 1996~~ 24 September 1996

KNIGHTS PROPERTY COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1995

		<u>1995</u>	<u>1994</u>
<u>Continuing Operations</u>	<u>Notes</u>	£	£
TURNOVER	2(b)	1,140,433	1,111,305
Other income		36,848	2,384
Administrative expenses		(590,543)	(635,321)
Exceptional items	4	-	-
Profit on disposal of fixed assets		367	-
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	587,105	478,368
Tax on profit on ordinary activities	6	(208,790)	(109,417)
		<hr/>	<hr/>
RETAINED PROFIT FOR THE FINANCIAL YEAR		378,315	368,951
RETAINED PROFITS BROUGHT FORWARD		1,700,472	1,331,521
		<hr/>	<hr/>
RETAINED PROFITS CARRIED FORWARD		<u>2,078,787</u>	<u>1,700,472</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	587,105	478,368
Difference between a historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	260,823	240,690
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	<u>326,282</u>	<u>237,678</u>
Historical cost profit for the year retained after taxation	<u>117,492</u>	<u>128,261</u>

AS. YOUNG, DIRECTOR
N. CARTER, DIRECTOR

KNIGHTS PROPERTY COMPANY LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 1995

		<u>1995</u>	<u>1994</u>
	<u>Notes</u>	£	£
<u>Continuing operating activities</u>			
Cash received from tenants		1,146,898	1,110,004
Cash payments in respect of direct property costs		(350,624)	(58,430)
Administration expenses		(38,126)	(25,507)
Other receipts		7,454	40,165
		<hr/>	<hr/>
Net cash flow from continuing operating activities	14	765,602	1,066,232
<u>Returns on investments and servicing of finance</u>			
Interest received		2,471	1,982
<u>Taxation</u>			
Corporation tax received		-	31,647
Corporation tax paid	-	(150,895)	(72,990)
<u>Investing activities</u>			
Purchase of fixed assets		(651,719)	(462,175)
Sale of fixed assets		160,380	-
		<hr/>	<hr/>
Net cash inflow before financing		125,839	564,696
<u>Financing</u>			
Parent Society loan payments	15	(110,000)	(563,000)
		<hr/>	<hr/>
Increase in cash and cash equivalents	16, 17	<u>15,839</u>	<u>1,696</u>

KNIGHTS PROPERTY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1995

1. HOLDING COMPANY

The company's ultimate parent company is The National Farmers Union Mutual Insurance Society Limited, registered 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 by the Group's professional staff who are members of the Royal Institution of Chartered Surveyors.

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 1995 and 31 December 1994. There were no employees during either year.

4. EXCEPTIONAL ITEMS

	<u>1995</u>	<u>1994</u>
	£	£
Waiver/(reinstatement) of liabilities due to parent company	2,128,000	(465,000)
(Deficit)/surplus arising from revaluation of fixed assets	(2,128,000)	465,000
	<hr/>	<hr/>
	<hr/>	<hr/>

KNIGHTS PROPERTY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1995

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1995</u>	<u>1994</u>
	£	£
is stated after crediting :		
Bank interest received	<u>11,848</u>	<u>1,000</u>
and after charging :		
Depreciation	340,135	374,344
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% (1994 - 33%) on the profit for the year	208,790	150,895
Overprovision of tax in previous years	-	(41,478)
	<u>208,790</u>	<u>109,417</u>

7. TANGIBLE FIXED ASSETS

	<u>Land & Buildings</u>
	£
<u>Cost/valuation</u>	
At 1 January 1995	27,947,225
Additions	210,752
Disposals	(163,676)
Deficit on revaluation	(2,128,000)
	<u>25,866,301</u>
At 31 December 1995	
<u>Depreciation</u>	
At 1 January 1995	2,487,194
Charged for the year	340,135
Disposal	(5,797)
	<u>2,821,532</u>
At 31 December 1995	
<u>Net book value</u>	
At 31 December 1995	<u>23,044,769</u>
At 31 December 1994	<u>25,460,031</u>

KNIGHTS PROPERTY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1995

8. <u>DEBTORS</u>	<u>1995</u>	<u>1994</u>
	£	£
Amount owed by fellow subsidiary undertaking	473,845	-
Sundry debtors and prepayments	55,113	78,439
	<u>528,958</u>	<u>78,439</u>

9. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

Trade creditors	357,988	513,691
Amounts owed to group undertaking	27,011	17,470
Corporation tax	208,790	150,895
Other taxes	13,013	13,965
	<u>606,802</u>	<u>696,021</u>

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

This is an interest free loan from the parent company and 12 months' notice of repayment is required; such notice has not been received	<u>20,990,848</u>	<u>23,228,848</u>
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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% (1994 - 33%), amounted to £1,751,997 at 31 December 1995 (1994 £1,713,840).

Provision is made in the accounts of the ultimate holding company for the amount of £1,698,000 (1994 £1,714,000) that is anticipated will reverse in the foreseeable future.

KNIGHTS PROPERTY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1995

	<u>1995</u>	<u>1994</u>
	£	£
12. <u>SHARE CAPITAL</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. <u>RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS</u>		
At 1 January 1995	1,700,572	1,331,621
Profit for the financial year	<u>378,315</u>	<u>368,951</u>
At 31 December 1995	<u>2,078,887</u>	<u>1,700,572</u>
14. <u>RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM CONTINUING OPERATING ACTIVITIES</u>		
	<u>1995</u>	<u>1994</u>
	£	£
Profit on ordinary activities before taxation	587,105	478,368
Decrease in operating debtors	23,326	14,547
(Decrease)/increase in operating creditors	(182,126)	200,955
Depreciation	340,135	374,344
Interest received	(2,471)	(1,982)
Profit on disposal of fixed asset	<u>(367)</u>	<u>-</u>
Net cash inflow from operating activities	<u>765,602</u>	<u>1,066,232</u>

KNIGHTS PROPERTY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1995

15. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	<u>1995</u>	<u>1994</u>
	£	£
At 1 January 1995	23,228,848	23,326,848
(Waiver)/reinstatement of loan	(2,128,000)	465,000
Cash outflow from financing	(110,000)	(563,000)
	<u>20,990,848</u>	<u>23,228,848</u>
At 31 December 1995	<u>20,990,848</u>	<u>23,228,848</u>

16. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	£	£
At 1 January 1995	86,971	85,275
Net cash inflow	15,839	1,696
	<u>102,810</u>	<u>86,971</u>
At 31 December 1995	<u>102,810</u>	<u>86,971</u>

17. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	<u>1995</u>	<u>1994</u>	<u>Change in</u>	<u>1994</u>	<u>1993</u>	<u>Change in</u>
	£	£	year	£	£	year
			£			£
Cash at bank	<u>102,810</u>	<u>86,971</u>	<u>15,839</u>	<u>86,971</u>	<u>85,275</u>	<u>1,696</u>

18. COMMITMENTS

Capital commitments at 31 December 1995 for which no provision has been made in these accounts were as follows:

	<u>1995</u>	<u>1994</u>
	£	£
Contracted	<u>1,781,961</u>	<u>-</u>
Authorised but not contracted	<u>-</u>	<u>-</u>