

**Knight Property Group PLC**

**Directors' report and financial  
statements**

Registered number SC064782

31 December 2011

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## Directors' report

The Directors present their Directors' report and financial statements for the year ended 31 December 2011.

### Principal activities

The principal activities of the Company during the year were that of property investment and development.

### Business review

The directors are satisfied with the results for the year. The operating profit for the year has risen to £6.6 million from £3.2 million in 2010. This includes a £2.8 million gain achieved on the sale of properties in KRE Developments LLP.

The level of activity remains high with a number of new developments underway.

The Company's balance sheet is strong with funding in place to support further growth.

The risk profile of the Company is constantly monitored by the Board, with interest rate management being a key focus. Instruments are put in place to mitigate interest rate risk when considered appropriate.

Profit for the financial year amounted to £5,400,659 (2010: £1,788,332).

### Dividends

The directors have proposed a final ordinary dividend in respect of the current financial year of £38.26 per share. This has not been included within creditors as it was paid before the year end.

### Directors

The directors who held office during the year and up to the date of this report were as follows:

J G Barrack  
H J Tocher (resigned 18 May 2011)  
H Crawshaw  
R Anderson

### Political and charitable contributions

No political donations were made during the year.

The Company made charitable donations of £171,700 during the year.

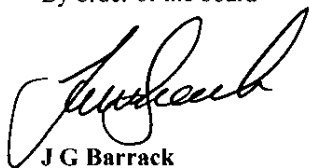
### Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



J G Barrack  
Director

62 Queens Road  
Aberdeen  
AB15 4YE

28 June 2012

## **Statement of directors' responsibilities in respect of the Directors' report and the financial statements**

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 judgments and 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, and
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



37 Albyn Place  
Aberdeen  
AB10 1JB

## **Independent auditor's report to the members of Knight Property Group PLC**

We have audited the financial statements of Knight Property Group PLC for the year ended 31 December 2011 set out on pages 5 to 18. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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, and express an opinion on, 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 (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **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 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with UK 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.

**Paul Glendenning (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants

29 June 2012

**Profit and Loss Account**  
*for the year ended 31 December 2011*

	<i>Note</i>	<b>2011</b> £	<b>2010</b> £
<b>Turnover</b>	<i>1</i>	<b>6,828,889</b>	<b>3,907,231</b>
Cost of sales		<b>(2,670,213)</b>	<b>(454,747)</b>
<b>Gross profit</b>		<b>4,158,676</b>	<b>3,452,484</b>
Administrative expenses		<b>(911,981)</b>	<b>(1,006,547)</b>
Other operating income		<b>3,327,804</b>	<b>718,842</b>
<b>Operating profit</b>	<i>2</i>	<b>6,574,499</b>	<b>3,164,779</b>
Profit/(loss) on sale of fixed assets		<b>21,973</b>	<b>(293,383)</b>
Other interest receivable and similar income	<i>5</i>	<b>19,491</b>	<b>12,713</b>
Interest payable and similar charges	<i>6</i>	<b>(863,887)</b>	<b>(813,520)</b>
<b>Profit on ordinary activities before taxation</b>		<b>5,752,076</b>	<b>2,070,589</b>
Tax on profit on ordinary activities	<i>7</i>	<b>(351,417)</b>	<b>(282,257)</b>
<b>Profit for the financial year</b>	<i>18</i>	<b>5,400,659</b>	<b>1,788,332</b>

**Note of Historical Cost Profits and Losses**  
*for the year ended 31 December 2011*

	<b>2011</b> £	<b>2010</b> £
Reported profit on ordinary activities before taxation	<b>5,752,076</b>	<b>2,070,589</b>
Realisation of property revaluation gains of previous years	-	753,629
Historical cost profit on ordinary activities before taxation	<b>5,752,076</b>	<b>2,824,218</b>
Historical cost profit on ordinary activities after taxation	<b>5,400,659</b>	<b>2,330,945</b>

**Balance Sheet**  
*at 31 December 2011*

	<i>Note</i>	<b>2011</b>	<b>2010</b>
		£	£
<b>Fixed assets</b>			
Intangible assets	9	-	6,086
Tangible assets	10	55,311,347	50,308,253
Investments	11	412,088	462,696
		<u>55,723,435</u>	<u>50,777,035</u>
<b>Current assets</b>			
Stocks	12	650,000	700,482
Debtors	13	5,931,667	3,217,070
Cash at bank and in hand		891,919	3,232,069
		<u>7,473,586</u>	<u>7,149,621</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(11,667,256)</u>	<u>(21,941,952)</u>
<b>Net current liabilities</b>		<b>(4,193,670)</b>	<b>(14,792,331)</b>
<b>Total assets less current liabilities</b>		<b>51,529,765</b>	<b>35,984,704</b>
<b>Creditors: amounts falling due after more than one year</b>	15	<b>(24,012,633)</b>	<b>(13,060,000)</b>
<b>Provisions for liabilities</b>	16	-	(631,008)
<b>Net assets</b>		<b>27,517,132</b>	<b>22,293,696</b>
<b>Capital and reserves</b>			
Called up share capital	17	65,334	65,334
Revaluation reserve	18	13,863,796	11,541,019
Profit and loss account	18	13,588,002	10,687,343
<b>Shareholders' funds</b>		<b>27,517,132</b>	<b>22,293,696</b>

These financial statements were approved by the board of directors on 28 June 2012 and were signed on its behalf by:

  
**J G Barrack**  
 Director

**Reconciliation of Movements in Shareholders' Funds**  
*for the year ended 31 December 2011*

	2011 £	2010 £
<b>Profit for the financial year</b>	<b>5,400,659</b>	<b>1,788,332</b>
Dividends on shares classified in shareholders' funds	(2,500,000)	(1,700,000)
<b>Retained profit</b>	<b>2,900,659</b>	<b>88,332</b>
Revaluation of land and buildings	2,322,777	(305,757)
Tax on gains previously recognised in the Statement of Total Recognised Gains and Losses	-	(211,016)
<b>Net addition/(reduction) to shareholders' funds</b>	<b>5,223,436</b>	<b>(428,441)</b>
Opening shareholders' funds	22,293,696	22,722,137
<b>Closing shareholders' funds</b>	<b>27,517,132</b>	<b>22,293,696</b>

**Statement of Total Recognised Gains and Losses**  
*for the year ended 31 December 2011*

	2011 £	2010 £
<b>Profit for the financial year</b>	<b>5,400,659</b>	<b>1,788,332</b>
Unrealised surplus on revaluations of land and buildings	2,322,777	(305,757)
Tax on gains previously recognised in the Statement of Total Recognised Gains and Losses	-	(211,016)
<b>Total recognised gains and losses relating to the financial year</b>	<b>7,723,436</b>	<b>1,271,559</b>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

During the year the Company adopted a policy to revalue all land and buildings included within tangible fixed assets. This has led to a £269,945 increase in tangible fixed assets and corresponding increase in the revaluation reserve in the current year. No changes have been made in respect of this change in policy in the prior year.

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules, modified to include the revaluation of investment properties.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements. These are available at the address found in Note 22.

#### *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 Directors' report on page 1.

The Company meets its day-to-day working capital requirements through bank loan facilities which run to September 2016. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its facility, including paying its current liabilities as they fall due.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern bases of accounting in preparing the annual financial statements.

#### *Investment properties*

Investment properties are revalued annually at open market values. All surpluses and deficits arising on valuation are taken directly to the revaluation reserve except that any permanent diminution in the value of an investment property is taken to the profit and loss account for the year; and no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run.

This treatment, as regards certain of the company's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Assets under construction are included in the financial statements at cost. Buildings completed and investment properties are valued by external valuers bi annually and by the directors in the interim period.

#### *Tangible fixed assets and depreciation*

Tangible fixed assets are stated at cost or valuation less accumulated depreciation. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Motor vehicles	-	3 years
Fixtures and fittings	-	3 years

Land and buildings are not depreciated on the grounds that the accounting entries are not significant.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### ***Investments***

Investments in subsidiary undertakings and participating interests are stated at cost less amounts written off.

#### ***Stocks***

Stocks are stated at the lower of cost and net realisable value.

#### ***Post-retirement benefits***

The Company operates a defined contribution pension scheme. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

#### ***Taxation***

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date where such differences are likely to reverse and except as otherwise required by FRS 19.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets in the financial statements.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

#### ***Interest bearing borrowings***

Immediately after issue debt is stated at the fair value of the consideration received on the issue of the capital instrument after deduction of issue costs. The finance cost of the debt is allocated to periods over the term of the debt at a constant rate on the carrying amount.

#### ***Classification of financial instruments issued by the Company***

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

## Notes (continued)

### 1 Accounting policies (continued)

#### Turnover

Turnover represents amounts receivable for goods and services. Turnover is recorded at the fair value of consideration receivable, net of VAT and trade discounts. Turnover for goods sold is recognised on delivery of the related product. Turnover for services provided is recognised straight line over the contract period unless a more systematic basis is appropriate.

All turnover arose within the United Kingdom.

#### Dividends on shares presented within shareholders' funds

Dividends are only recognised as a liability at that date to the extent that they are declared prior to the year end. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

#### Profit attributable from limited liability partnership

The Company is a profit sharing member of KRE Developments LLP and KPG Investments LLP. There is an automatic division of profits in the LLPs and accordingly the Company's share of profits to 31 December 2011 has been recognised in these financial statements in other operating income on an accruals basis. A corresponding debtor is held in the balance sheet.

### 2 Notes to the profit and loss account

	2011 £	2010 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Depreciation and other amounts written off tangible fixed assets:		
Owned	32,057	39,883
Impairment of investments	56,694	-
	<hr/>	<hr/>
<i>Auditor's remuneration:</i>		
	2011 £	2010 £
Audit of these financial statements	8,000	7,500
	<hr/>	<hr/>

### 3 Remuneration of directors

	2011 £	2010 £
Directors' emoluments	366,469	320,496
Company contributions to money purchase pension schemes	6,000	6,000
Compensation for loss of office	-	12,700
Amounts paid to third parties in respect of directors' services	17,960	12,155
	<hr/>	<hr/>
	390,429	351,351
	<hr/>	<hr/>

The emoluments of the highest paid director were £263,240 (2010: £247,937) and company pension contributions of £6,000 (2010: £6,000) were made to a money purchase scheme on their behalf.

	Number of directors	
	2011	2010
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	1	1
	<hr/>	<hr/>

**Notes (continued)**

**4 Staff numbers and costs**

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	<b>Number of employees</b>	
	<b>2011</b>	<b>2010</b>
Directors	3	3
Administration	5	6
	<hr/>	<hr/>
	8	9
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	<b>£</b>	<b>£</b>
Wages and salaries	510,588	460,120
Social security costs	62,067	50,898
Other pension costs	9,150	18,882
	<hr/>	<hr/>
	581,805	529,900
	<hr/>	<hr/>

**5 Other interest receivable and similar income**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Bank interest received	19,480	12,109
Other	11	604
	<hr/>	<hr/>
	19,491	12,713
	<hr/>	<hr/>

**6 Interest payable and similar charges**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
On bank loans and overdrafts	862,762	800,897
On all other loans	1,125	12,623
	<hr/>	<hr/>
	863,887	813,520
	<hr/>	<hr/>

Interest on bank loans and overdrafts includes £66,367 (2010: £nil) of debt amortisation costs.

## Notes (continued)

### 7 Taxation

#### Analysis of charge in period

	£	2011 £	£	2010 £
<i>UK corporation tax</i>				
Current tax on income for the period	1,077,371		357,114	
Adjustments in respect of prior periods	(94,946)		(3,194)	
Total current tax		982,425		353,920
<i>Deferred tax (see note 16)</i>				
Origination/reversal of timing differences	(584,267)		94,948	
Adjustment in respect of previous years	-		(166,611)	
Change in tax rate	(46,741)		-	
Total deferred tax		(631,008)		(71,663)
Tax on profit on ordinary activities		351,417		282,257

#### Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2010: lower) than the standard rate of corporation tax in the UK (26.5%, 2010: 28%). The differences are explained below.

	2011 £	2010 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	5,752,076	2,070,589
Current tax at 26.5% (2010: 28 %)	1,524,300	579,765
<i>Effects of:</i>		
Capital allowances for period in excess of depreciation	(317,335)	(67,150)
Permanent differences	(2,936)	(73,821)
Adjustments to tax charge in respect of previous periods	(94,946)	(3,194)
Chargeable gains and indexations	(165,954)	129,336
Amounts charged directly to STRGL	-	(211,016)
Expenses not deductible for tax purposes	39,296	-
Total current tax charge (see above)	982,425	353,920

The Board of Directors have considered the requirement to recognise a deferred tax liability for capital allowances claimed in qualifying assets within its property portfolio. The Board have concluded that no provision is necessary since, in the event of a sale of any property, the Company would retain the entitlement to capital allowances such that no balancing charge would arise and hence no liability would crystallise. This conclusion is based on the practice adopted on recent property sales.

#### Factors that may affect future current and total tax charges

On 23 March 2011 the Chancellor announced that the main rate of UK corporation tax will reduce from 26% to 25% with effect from 1 April 2011. This change became substantively enacted in July 2011.

On 21 March 2012 the Chancellor announced a further reduction in the main rate of UK corporation tax to 24% with effect from 1 April 2011. This change became substantively enacted on 26 March 2012. As this rate was not substantively enacted at the balance sheet date it has not been reflected in the above figures.

The Chancellor has also proposed changes to further reduce the main rate of UK corporation tax by 1% per annum to 22% by 1 April 2014. These reductions have not been substantively enacted the changes thus the changes are not reflected in the above figures.

These changes will further reduce the Company's future current tax charge accordingly.

## Notes (continued)

### 8 Dividends

The aggregate amount of dividends comprises:

	2011 £	2010 £
Final dividends paid on equity capital	2,500,000	1,700,000

### 9 Intangible fixed assets

#### Cost

	Timeshare property £
At beginning and end of year	6,086
Transfers to other investments	(6,086)
At end of year	-

#### Net book value

At 31 December 2011	-
At 31 December 2010	6,086

### 10 Tangible fixed assets

	Land and buildings £	Motor vehicles £	Fixtures, fittings and equipment £	Total £
<b>Cost or valuation</b>				
At beginning of year	50,254,422	38,749	147,316	50,440,487
Additions	2,712,726	70,625	-	2,783,351
Disposals	(51,000)	(55,149)	-	(106,149)
Revaluations	2,322,777	-	-	2,322,777
At end of year	55,238,925	54,225	147,316	55,440,466
<b>Depreciation</b>				
At beginning of year	-	22,419	109,815	132,234
Charge for year	-	17,527	14,530	32,057
Relating to disposals	-	(35,172)	-	(35,172)
At end of year	-	4,774	124,345	129,119
<b>Net book value</b>				
At 31 December 2011	55,238,925	49,451	22,971	55,311,347
At 31 December 2010	50,254,422	16,330	37,501	50,308,253

**Notes** (continued)

**10 Tangible fixed assets** (continued)

Land and buildings is analysed as follows:

	2011 £	2010 £
Investment properties	48,904,319	38,600,750
Assets under construction	5,788,106	10,721,496
Other land and buildings	546,500	932,176
	<hr/>	<hr/>
Total	55,238,925	50,254,422
	<hr/>	<hr/>

The cost of land and buildings comprises:

	2011 £	2010 £
Freehold - at valuation	35,334,773	26,807,481
- at cost	5,788,106	11,602,172
Long leasehold	252,250	252,250
Other properties	-	51,500
	<hr/>	<hr/>
	41,375,129	38,713,403
	<hr/>	<hr/>

The freehold and leasehold land and buildings owned by the Company have been valued by external valuers, Rydens LLP on 9 August 2011.

The following information relates to tangible fixed assets carried on the basis of revaluations in accordance with FRS 15 *Tangible fixed assets*.

**Other Land and Buildings**

	2011 £
At existing use value:	
9 August 2011 - Full	546,500
	<hr/>
Aggregate depreciation thereon	-
	<hr/>
Net book value	546,500
	<hr/>
Historical cost of revalued assets	276,555
Aggregate depreciation thereon	-
	<hr/>
Historical cost net book value	276,555
	<hr/>

As this is the first year of adopting the revaluation policy, no comparatives have been provided.

The full valuations were performed by Rydens LLP.

The existing use value of land and buildings does not include notional directly attributable acquisition costs.

The directors are not aware of any material change in value and therefore the valuations set out above have not been updated.

## Notes (continued)

### 11 Fixed asset investments

	Shares in group undertakings £	Participating interests £	Other investments	Total £
<b>Cost</b>				
At beginning and end of year	400,002	570,000	6,000	976,002
Transfers from intangible assets	-	-	6,086	6,086
At end of year	400,002	570,000	12,086	982,088
<b>Impairment losses</b>				
At beginning of year	-	513,306	-	513,306
Provided in year	-	56,694	-	56,694
At end of year	-	570,000	-	570,000
<b>Net book value</b>				
At 31 December 2011	400,002	-	12,086	412,088
At 31 December 2010	400,002	56,694	6,000	462,696

The companies in which the Company's interest at the year end is more than 20% are as follows:

	Country of incorporation	Principal activity	Class and percentage of shares held
<b>Subsidiary undertakings</b>			
Knight Real Estate (Scotland) Limited	Scotland	Dormant	100%
Craigshaw Business Park Limited	Scotland	Dormant	100%
Gatts Scotland Limited	Scotland	Dormant	100%
KRE Developments LLP	Scotland	Property Investment	50%
KPG Investments LLP	Scotland	Property investment	50%
KPG Developments LLP	Scotland	Dormant	50%
<b>Participating interests</b>			
Cascade Estates LLP	Scotland	Property investment	33%

### 12 Stocks

	2011 £	2010 £
Land and buildings held for resale	650,000	700,482

**Notes (continued)**

**13 Debtors**

	2011 £	2010 £
Trade debtors	92,180	78,189
Amounts owed by group undertakings	330,737	319,014
Amounts owed by related parties	16,012	2,012
Undistributed profits of limited liability partnership	4,968,908	1,729,503
Corporation tax	-	130,224
Other debtors	386,894	879,246
Prepayments and accrued income	136,936	78,882
	<u>5,931,667</u>	<u>3,217,070</u>

The undistributed profits of limited liability partnerships relate to unpaid amounts from the automatic division of profits in KRE Developments LLP and KPG Investments LLP for the current and prior years.

**14 Creditors: amounts falling due within one year**

	2011 £	2010 £
Bank loans and overdrafts	8,326,400	16,942,211
Trade creditors	157,215	1,216,953
Amounts owed to group undertakings	2,967	-
Amounts owed to undertakings in which the Company has a participating interest	-	3,728
Amounts owed to related parties	83,908	59,287
Amounts owed to directors	46,100	95,464
Corporation tax	515,582	-
Other creditors	182,685	2,322,387
Accruals and deferred income	2,352,399	1,301,922
	<u>11,667,256</u>	<u>21,941,952</u>

**15 Creditors: amounts falling due after more than one year**

	2011 £	2010 £
Bank loans	23,612,633	12,660,000
Amounts owed to group undertakings	400,000	400,000
	<u>24,012,633</u>	<u>13,060,000</u>

The £400,000 loan (2010: £400,000) is not repayable in instalments but will be repaid fully upon realisation of land transferred to KRE Developments LLP.

**Analysis of bank loans**

	2011 £	2010 £
In one year or less	8,415,000	16,942,211
Between one and two years	850,000	920,000
Between two and five years	23,087,500	3,160,000
Greater than five years	-	8,580,000
	<u>32,353,500</u>	<u>-</u>
Net debt	(413,468)	-
Less debt issue costs		
	<u>31,939,033</u>	<u>29,602,211</u>

## Notes (continued)

### 15 Creditors: amounts falling due after more than one year (continued)

During the year the bank facilities were refinanced and new loans put in place through to 9 September 2016. The facilities are repayable in quarterly instalments and bear interest at varying rates above three month LIBOR.

The bank loans are secured by a fixed and floating charge over all the assets of the Company.

### 16 Provisions for liabilities

	Deferred taxation £
<b>Group</b>	
At beginning of year	631,008
Credit to the profit and loss for the year	(631,008)
	<hr/>
<b>At end of year</b>	<b>-</b>
	<hr/>

The elements of deferred taxation are as follows:

	2011 £000	2010 £000
Difference between accumulated depreciation and amortisation and capital allowances	-	631,008
	<hr/>	<hr/>

The potential liability to tax if all properties were sold with a full balancing charge on sale is £896,555 (2010: £631,008). This sum excludes any tax on chargeable gains.

### 17 Share capital

	2011 £	2010 £
<b>Allotted, called up and fully paid</b>		
56,000 Ordinary shares of £1 each	56,000	56,000
9,334 'A' ordinary shares of £1 each	9,334	9,334
	<hr/>	<hr/>
	<b>65,334</b>	<b>65,334</b>
	<hr/>	<hr/>

Ordinary share carry full voting rights. 'A' ordinary shares do not carry voting rights.

### 18 Reserves

	Investment Property Revaluation reserve £	Profit and loss account £
Opening balance	11,541,019	10,687,343
Profit for the year	-	5,400,659
Dividends on shares classified in shareholders' funds	-	(2,500,000)
Revaluations in the year	2,322,777	-
	<hr/>	<hr/>
<b>At end of year</b>	<b>13,863,796</b>	<b>13,588,002</b>
	<hr/>	<hr/>

## Notes (continued)

### 19 Commitments

(a) Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	2011 £	2010 £
Contracted but not provided for in these financial statements	827,151	4,372,579

### 20 Pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £9,150 (2011: £18,882).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

### 21 Related party transactions

The Company is controlled by the directors. The ultimate controlling party and ultimate parent undertaking is Knight Property Holdings Limited, incorporated in Scotland.

Material transactions with related parties are as follows:

Related party	Transaction	£	Debtor (creditor) balance at year end £
KRE Developments LLP, a joint venture of which Knight Property Group PLC is partner	Sales	2,455,931	144,440
	Purchases	-	(2,967)
	Loan	-	(400,000)
	Profit share	2,827,496	4,468,600
KPG Investments LLP, a joint venture of which Knight Property Group PLC is partner	Bank interest	76,162	186,297
	Profit share	500,308	500,308
Chess Group PLC a Company under common control	Sales	113,652	14,000
	Recharges/purchases	282,053	(19,230)
Bluesky Business Space Sales Limited, a Company under common control	Sales	245,986	-
Eskimo Intelligent Solutions Ltd, a Company under common control	Recharges/purchases	4,623	(224)
Chess Storage & Interiors Ltd, a Company under common control	Sales	1,328	-
	Purchases	1,350	-
Space Solutions (Scotland) Limited, an associate of Chess Group PLC, a Company under common control	Sales	-	2,012
	Purchases	178,788	(45,434)
James Barrack, a director	Loan	30,323	(46,100)
Hamish Barrack, related to James Barrack, a director	Loan	-	(19,020)
Friendville Pension Fund, retirement benefit scheme for the benefit of the Barrack family	Loan	98,452	-
Engvale Limited, a Company under common control of a related party	Loan	100,000	-

**22 Ultimate parent undertaking and controlling party**

The ultimate parent undertaking and sole shareholder is Knight Property Holdings Limited, a company incorporated in Scotland and controlled by James Barrack. The largest group in which the results of the Company are consolidated is that headed by Knight Property Holdings Limited.

No other group financial statements include the results of the Company.

Knight Property Holdings Limited prepares consolidated accounts, which are available to the public and may be obtained from 4<sup>th</sup> Floor Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.