Knight Property Group PLC

Directors' report and financial statements

Registered number SC064782

31 December 2012

Contents

Directors' report

The Directors present their Directors' report and financial statements for the year ended 31 December 2012.

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 amounts to £4.1 million *(2011: £6.6m)* a reduction on the previous year primarily as a result of a lower contribution from the limited liability partnerships in which the company has an interest.

The level of activity remains high with a number of exciting 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 £2,472,069 *(2011: £5,400,659).*

Dividends

The directors have proposed a final ordinary dividend in respect of the current financial year of £19.44 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 Crawshaw
R Anderson

Political and charitable contributions

No political donations were made during the year *(2011: £nil).*

The Company made charitable donations of £140,215 *(2011: £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

29 May 2013

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.

KPMG

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 2012 set out on pages 4 to 17. 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2012 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

Paul Glendenning (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
37 Albyn Place
Aberdeen
AB10 1JB

29 May 2013

Profit and Loss Account
for the year ended 31 December 2012

	Note	2012 £	2011 £
Turnover	*1, 2*	**12,938,420**	6,828,889
Cost of sales		**(8,188,199)**	(2,670,213)
Gross profit		**4,750,221**	4,158,676
Administrative expenses		**(657,876)**	(911,981)
Other operating income		**49,043**	3,327,804
Operating profit		**4,141,388**	6,574,499
Profit on sale of fixed assets		**134,564**	21,973
Other interest receivable and similar income	*6*	**100,562**	19,491
Interest payable and similar charges	*7*	**(1,358,731)**	(863,887)
Profit on ordinary activities before taxation	*3-5*	**3,017,783**	5,752,076
Tax on profit on ordinary activities	*8*	**(545,714)**	(351,417)
Profit for the financial year	*17*	**2,472,069**	5,400,659

Note of Historical Cost Profits and Losses
for the year ended 31 December 2012

	2012 £	2011 £
Reported profit on ordinary activities before taxation	**3,017,783**	5,752,076
Realisation of property revaluation gains of previous years	**213,179**	-
Historical cost profit on ordinary activities before taxation	**3,230,962**	5,752,076
Historical cost profit on ordinary activities after taxation	**2,685,248**	5,400,659

Balance Sheet
at 31 December 2012

	Note	2012	2012	2011	2011
		£	£	£	£
Fixed assets					
Tangible assets	10		**61,718,398**		55,311,347
Investments	11		**412,088**		412,088
			62,130,486		55,723,435
Current assets					
Stocks	12	**500,000**		650,000	
Debtors	13	**6,739,512**		5,931,667	
Cash at bank and in hand		**980,649**		891,919	
		8,220,161		7,473,586	
Creditors: amounts falling due within one year	14	**(4,265,605)**		(11,667,256)	
Net current assets (liabilities)			**3,954,556**		(4,193,670)
Total assets less current liabilities			**66,085,042**		51,529,765
Creditors: amounts falling due after more than one year	15		**(34,871,717)**		(24,012,633)
Net assets			**31,213,325**		27,517,132
Capital and reserves					
Called up share capital	16		**65,334**		65,334
Revaluation reserve	17		**16,144,741**		13,863,796
Profit and loss account	17		**15,003,250**		13,588,002
Shareholders' funds			**31,213,325**		27,517,132

These financial statements were approved by the board of directors on 29 May 2013 and were signed on its behalf by:

J G Barrack
Director

Reconciliation of Movements in Shareholders' Funds
for the year ended 31 December 2012

	2012 £	2011 £
Profit for the financial year	**2,472,069**	5,400,659
Dividends on shares classified in shareholders' funds	**(1,270,000)**	(2,500,000)
Retained profit	**1,202,069**	2,900,659
Revaluation of land and buildings	**2,494,124**	2,322,777
Net addition to shareholders' funds	**3,696,193**	5,223,436
Opening shareholders' funds	**27,517,132**	22,293,696
Closing shareholders' funds	**31,213,325**	27,517,132

Statement of Total Recognised Gains and Losses
for the year ended 31 December 2012

	2012 £	2011 £
Profit for the financial year	**2,472,069**	5,400,659
Unrealised surplus on revaluations of land and buildings	**2,494,124**	2,322,777
Total recognised gains and losses relating to the financial year	**4,966,193**	7,723,436

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.

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 21.

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 basis 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.

Impairment of fixed assets
The carrying amounts of the Group's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account unless it arises on a previously revalued fixed asset. An impairment loss on a revalued fixed asset is recognised in the profit and loss account if it is caused by a clear consumption of economic benefits. Otherwise impairments are recognised in the statement of total recognised gains and losses until the carrying amount reaches the asset's depreciated historic cost.

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 assets of the scheme are held separately from those of the company in a separately administered fund. 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 rentals receivable from investment properties. 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 2012 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 Analysis of turnover

Turnover by activity was as follows	**2012** **£**	2011 £
Property development and contract work	**8,036,925**	2,771,494
Rental income	**4,901,495**	4,057,395
	12,938,420	6,828,889

All turnover arose in the United Kingdom.

3 Notes to the profit and loss account

Profit on ordinary activities before taxation is stated after charging:	**2012** **£**	2011 £
Depreciation and other amounts written off tangible fixed assets:		
Owned	**43,766**	32,057
Impairment of investments	**-**	56,694
Gain on sale of fixed asset	**134,564**	21,973

Auditor's remuneration:	**2012** **£**	2011 £
Audit of these financial statements	**8,000**	8,000

The Companies (Disclosure of Auditor Remuneration and Limited Liability Limitation Agreements) (Amended) Regulations 2011 is mandatory for periods starting on/after 1 October 2011. No amendments were required to the comparatives.

4 Remuneration of directors

	2012 **£**	2011 £
Directors' emoluments	**246,425**	366,469
Company contributions to money purchase pension schemes	**6,000**	6,000
Amounts paid to third parties in respect of directors' services	**23,662**	17,960
	276,087	390,429

Notes *(continued)*

4 Remuneration of directors *(continued)*

The emoluments of the highest paid director were £139,874 *(2011: £263,240)* and company pension contributions of £6,000 *(2011: £6,000)* were made to a money purchase scheme on their behalf.

	Number of directors	
	2012	2011
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**1**	1

5 Staff numbers and costs

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

	Number of employees	
	2012	2011
Directors	**3**	3
Administration	**7**	5
	10	8

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	**409,549**	510,588
Social security costs	**47,261**	62,067
Other pension costs (note 19)	**31,358**	9,150
	488,168	581,805

6 Other interest receivable and similar income

	2012	2011
	£	£
Group interest	**97,038**	-
Bank interest received	**2,793**	19,480
Other	**731**	11
	100,562	19,491

7 Interest payable and similar charges

	2012	2011
	£	£
On bank loans and overdrafts	**1,329,394**	862,762
On all other loans	**1,328**	1,125
Group interest	**28,009**	-
	1,358,731	863,887

Interest on bank loans and overdrafts includes £88,600 *(2011: £66,367)* of debt amortisation costs.

Notes *(continued)*

8 Taxation

Analysis of charge in period

		2012		2011
	£	£	£	£
UK corporation tax				
Current tax on income for the period	**619,517**		1,077,371	
Adjustments in respect of prior periods	**(73,803)**		(94,946)	
Total current tax		**545,714**		982,425
Deferred tax				
Origination/reversal of timing differences	-		(584,267)	
Change in tax rate	-		(46,741)	
Total deferred tax		-		(631,008)
Tax on profit on ordinary activities		**545,714**		351,417

Factors affecting the tax charge for the current period

The current tax charge for the period is lower *(2011: lower)* than the standard rate of corporation tax in the UK (24.5%, *2011: 26.5%*). The differences are explained below.

	2012	2011
	£	£
Current tax reconciliation		
Profit on ordinary activities before tax	**3,017,783**	5,752,076
Current tax at 24.5% *(2011: 26.5 %)*	**739,357**	1,524,300
Effects of:		
Expenses not deductable for tax purposes	**85,167**	39,296
Capital allowances for period in excess of depreciation	**(201,707)**	(317,335)
Permanent differences	-	(2,936)
Chargeable gains and indexations	**(3,300)**	(165,954)
Adjustments to tax charge in respect of previous periods	**(73,803)**	(94,946)
Total current tax charge (see above)	**545,714**	982,425

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. The potential liability to tax if all properties were sold with a full balancing charge on sale is £573,275 *(2011: £896,555)*. This sum excludes any tax on chargeable gains.

Factors that may affect future current and total tax charges

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the company's future current tax charge accordingly.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge.

Notes *(continued)*

9 Dividends

The aggregate amount of dividends comprises:

	2012	2011
	£	£
Final dividends paid on equity capital	**1,270,000**	2,500,000

10 Tangible fixed assets

	Land and buildings	Motor vehicles	Fixtures, fittings and equipment	Total
	£	£	£	£
Cost or valuation				
At beginning of year	55,238,925	54,225	147,316	55,440,466
Additions	4,422,362	38,267	1,064	4,461,693
Disposals	(505,000)	-	-	(505,000)
Revaluations	2,494,124	-	-	2,494,124
At end of year	61,650,411	92,492	148,380	61,891,283
Depreciation				
At beginning of year	-	4,774	124,345	129,119
Charge for year	-	30,602	13,164	43,766
Relating to disposals	-	-	-	-
At end of year	-	35,376	137,509	172,885
Net book value				
At 31 December 2012	**61,650,411**	**57,116**	**10,871**	**61,718,398**
At 31 December 2011	55,238,925	49,451	22,971	55,311,347

Additions include £1,422,253 of assets under construction at the year end.

Notes *(continued)*

10 Tangible fixed assets *(continued)*

Land and buildings is analysed as follows:

	2012 £	2011 £
Investment properties	**59,681,658**	48,904,319
Assets under construction	**1,422,253**	5,788,106
Other land and buildings	**546,500**	546,500
Total	**61,650,411**	55,238,925

The cost of land and buildings comprises:

	2012 £	2011 £
Freehold - at valuation	**43,831,167**	35,334,773
- at cost	**1,422,253**	5,788,106
Long leasehold	**252,250**	252,250
	45,505,670	41,375,129

The freehold and leasehold land and buildings owned by the Company have been valued by external valuers, Rydens LLP on 9 August 2011 and subsequent dates for new developments. The freehold investment properties owned by the company were valued by an internal valuer, Howard Crawshaw, Director, on 31 December 2012. The directors are not aware of any material change in value and therefore the valuations set out above have not been updated since their external valuations.

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

	2012 £	2011 £
At existing use value:		
9 August 2011 – Full	**546,500**	546,500
Aggregate depreciation thereon	-	-
Net book value	**546,500**	546,500
Historical cost of revalued assets	**276,555**	276,555
Aggregate depreciation thereon	-	-
Historical cost net book value	**276,555**	276,555

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

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

Notes *(continued)*

11 Fixed asset investments

	2012	2011
	£	£
Shares in group undertakings	**400,002**	400,002
Other investments	**12,086**	12,086
	412,088	412,088

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
Subsidiary undertakings			
Knight Real Estate (Scotland) 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%

Cascade Estates LLP, in which the Company had a 33% interest, entered Members Voluntary Liquidation on 26 November 2012. The value of the investment relating to Cascade Estates LLP held on balance sheet is £nil *(2011: £nil).*

12 Stocks

	2012	2011
	£	£
Land and buildings held for resale	**500,000**	650,000

13 Debtors

	2012	2011
	£	£
Trade debtors	**47,871**	92,180
Amounts owed by group undertakings	**3,223,868**	330,737
Amounts owed by related parties	**68,831**	16,012
Undistributed profits of limited liability partnership	**2,070,528**	4,968,908
VAT debtor	**422,757**	305,733
Other debtors	**243,966**	81,161
Prepayments and accrued income	**661,691**	136,936
	6,739,512	5,931,667

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.

Notes *(continued)*

14 Creditors: amounts falling due within one year

	2012 £	2011 £
Bank loans and overdrafts	**761,400**	8,326,400
Trade creditors	**129,647**	157,215
Amounts owed to group undertakings	**687,564**	2,967
Amounts owed to related parties	**103,440**	83,908
Amounts owed to directors	**94,921**	46,100
Corporation tax	**493,516**	515,582
Taxes and social security	**17,788**	182,685
Other creditors	**7,377**	-
Accruals and deferred income	**1,969,952**	2,352,399
	4,265,605	11,667,256

15 Creditors: amounts falling due after more than one year

	2012 £	2011 £
Bank loans	**32,919,559**	23,612,633
Amounts owed to group undertakings	**1,952,158**	400,000
	34,871,717	24,012,633

Of the amounts owed to group undertakings, the £400,000 loan *(2011: £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	2012 £	2011 £
In one year or less	**850,000**	8,415,000
Between one and two years	**850,000**	850,000
Between two and five years	**32,305,826**	23,087,500
Net debt	**34,005,826**	32,352,500
Less debt issue costs	**(324,867)**	(413,467)
Net debt (after debt issue costs)	**33,680,959**	31,939,033

The bank facilities are in place through to 9 September 2016. The facilities are repayable by quarterly instalments and bear interest at a fixed rate above three month LIBOR.

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

Interest rate caps

Interest rate caps enable the company to mitigate its floating rate interest exposure to changing interest rates on the cash flow exposures on its variable rate bank loan by capping the interest cost on a proportion of its debts.

Caps exist for the interest rate on £20m of the company's debt. These expire in June 2015.

Notes *(continued)*

16 Share capital

	2012 £	2011 £
Allotted, called up and fully paid		
56,000 Ordinary shares of £1 each	**56,000**	56,000
9,334 'A' ordinary shares of £1 each	**9,334**	9,334
	65,334	65,334

Ordinary share carry full voting rights. 'A' ordinary shares do not carry voting rights. The shares rank pari passu in all other respects.

17 Reserves

	Investment property revaluation reserve £	Profit and loss account £
Opening balance	13,863,796	13,588,002
Profit for the year	-	2,472,069
Dividends on shares classified in shareholders' funds	-	(1,270,000)
Revaluations in the year	2,494,124	-
Revaluation realised on disposal	(213,179)	213,179
At end of year	**16,144,741**	**15,003,250**

18 Commitments

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

	2012 £	2011 £
Contracted but not provided for in these financial statements	**2,092,196**	827,151

19 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 £31,358 *(2011: £9,150).*

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

Notes *(continued)*

20 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.

The Company has taken advantage of the exemption contained in FRS 8 from disclosing transactions with related parties that are part of the Knight Property Holdings Limited group and ownership is 100%.

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	7,115,206	168,421
	Loan	2,868,800	2,868,800
	Loan	-	(400,000)
	Profit share	(2,897,634)	1,570,966
KPG Investments LLP, a joint venture of which Knight Property Group PLC is partner	Bank interest	-	186,647
	Profit share	(747)	499,561
Chess Group PLC a Company under common control	Recharges/purchases	181,563	(11,387)
Bluesky Business Space Sales Limited, a Company under common control	Sales	299,891	33,900
Eskimo Intelligent Solutions Ltd, a Company under common control	Recharges/purchases	6,497	(289)
	Sales	16,090	900
Space Solutions (Scotland) Limited, an associate of Chess Group PLC, a Company under common control	Sales	224,074	26,012
	Purchases	325,776	(71,492)
James Barrack, a director	Loan	48,821	(94,921)
Hamish Barrack, related to James Barrack, a director	Loan	-	(19,020)

21 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 4th Floor Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.