Knight Property Group PLC

Annual report and financial statements

Registered number SC064782

31 December 2013

Contents

Strategic report

Business review
The property development and rental market in Aberdeen and surrounding area, supported by a buoyant oil and gas service sector, remains strong. As a consequence, 2013 proved to be a year which delivered significant profits for the Company.

During the year the Company has continued to develop its "partnering" relationships with external funders and this has allowed it to embark on a number of new and exciting developments. These relationships, allied with a successful track record, gives the Company the ability to expand its operations further in the future.

While the Company's focus has continued to be on the north-east of Scotland, opportunities outwith this area continue to be pursued.

Principal risks and uncertainties
The Directors review the principal risks and uncertainties impacting the business on a monthly basis. Prospectively, the main risks centre around:

Economic factors:
Risk
- The Company has benefited from a strong oil and gas sector and a shortage of high quality accommodation available for occupation. A downturn in the sector and/or an increase in properties coming to the market could constrain further growth.

Mitigation
- The Company seeks to establish medium to long term leases whenever possible.
- The number of speculative developments being undertaken is kept under constant review.
- Opportunities in other geographical areas continue to be sought.

Interest rates:
Risk
- The Company has benefited from a period of low interest rates; however, there is no certainty that this situation will endure in the medium-to long-term. Any added costs would erode profitability and could impact on bank covenants.

Mitigation
- An element of the Company's bank borrowings have been covered by interest rate caps to ensure that, in the event of rises in interest rates, the financial effect is contained.
- The level of cover under such financial instruments is constantly monitored by the Board of Directors.

Financial key performance indicators

The key performance indicators are profitability and the value of the Company's investment property portfolio. In addition, adherence to bank covenants is important and is monitored regularly to ensure that the Company maintains an adequate level of headroom in meeting such covenants.

Signed on behalf of the Board

J G Barrack
Director

62 Queens Road
Aberdeen
AB15 4YE

26 June 2014

Directors' report

The Directors present their Directors' report and financial statements for the year ended 31 December 2013.

Principal activities

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

Results

Profit for the financial year amounted to £4,289,896 *(2012: £2,472,069).*

Dividends

An interim dividend of £2,600,000 *(2012: £1,270,000)* was paid during the year.

The directors have proposed a final ordinary dividend in respect of the current financial year of £2,500,000 *(2012: nil)*. This has been included within creditors at 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 G Crawshaw
G I Middleton (appointed 21 October 2013)
R D Anderson

Political contributions

No political donations were made during the year *(2012: £nil).*

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

26 June 2014

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, 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 2013 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 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 2013 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 Strategic Report and 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

26 June 2014

Profit and Loss Account
for the year ended 31 December 2013

	Note	2013 £	2012 £
Turnover	*1, 2*	**13,677,344**	12,938,420
Cost of sales		**(7,826,068)**	(8,188,199)
Gross profit		**5,851,276**	4,750,221
Administrative expenses		**(1,562,345)**	(657,876)
Other operating income		**1,190,873**	49,043
Operating profit		**5,479,804**	4,141,388
Profit on sale of fixed assets		**780,902**	134,564
Other interest receivable and similar income	*6*	**85,020**	100,562
Interest payable	*7*	**(1,207,149)**	(1,358,731)
Profit on ordinary activities before taxation	*3-5*	**5,138,577**	3,017,783
Tax on profit on ordinary activities	*8*	**(848,681)**	(545,714)
Profit for the financial year	*17*	**4,289,896**	2,472,069

Note of Historical Cost Profits and Losses
for the year ended 31 December 2013

	2013 £	2012 £
Reported profit on ordinary activities before taxation	**5,138,577**	3,017,783
Realisation of property revaluation gains of previous years	**1,713,662**	213,179
Historical cost profit on ordinary activities before taxation	**6,852,239**	3,230,962
Historical cost profit on ordinary activities after taxation	**5,508,045**	2,685,248

Balance Sheet
at 31 December 2013

	Note	2013		2012	
		£	£	£	£
Fixed assets					
Tangible assets	*10*		**58,927,609**		61,718,398
Investments	*11*		**406,088**		412,088
			59,333,697		62,130,486
Current assets					
Stocks	*12*	**500,000**		500,000	
Debtors	*13*	**6,452,937**		6,739,512	
Cash at bank and in hand		**922,683**		980,649	
		7,875,620		8,220,161	
Creditors: amounts falling due within one year	*14*	**(6,621,781)**		(4,265,605)	
Net current assets (liabilities)			**1,253,839**		3,954,556
Total assets less current liabilities			**60,587,536**		66,085,042
Creditors: amounts falling due after more than one year	*15*		**(29,829,821)**		(34,871,717)
Net assets			**30,757,715**		31,213,325
Capital and reserves					
Called up share capital	*16*		**65,334**		65,334
Revaluation reserve	*17*		**15,281,086**		16,144,741
Profit and loss account	*17*		**15,411,295**		15,003,250
Shareholders' funds			**30,757,715**		31,213,325

These financial statements were approved by the board of directors on 26 June 2014 and were signed on its behalf by:

J G Barrack
Director

Reconciliation of Movements in Shareholders' Funds
for the year ended 31 December 2013

	2013 £	2012 £
Profit for the financial year	**4,289,896**	2,472,069
Dividends on shares classified in shareholders' funds	**(5,100,000)**	(1,270,000)
Retained (loss)/profit	**(810,104)**	1,202,069
Revaluation of land and buildings	**850,007**	2,494,124
Tax on gains recognised in Statement of Total Recognised Gains and Losses	**(495,513)**	-
Net (deduction from)/addition to shareholders' funds	**(455,610)**	3,696,193
Opening shareholders' funds	**31,213,325**	27,517,132
Closing shareholders' funds	**30,757,715**	31,213,325

Statement of Total Recognised Gains and Losses
for the year ended 31 December 2013

	2013 £	2012 £
Profit for the financial year	**4,289,896**	2,472,069
Unrealised surplus on revaluations of land and buildings	**850,007**	2,494,124
Tax on gains recognised in Statement of Total Recognised Gains and Losses	**(495,513)**	-
Total recognised gains and losses relating to the financial year	**4,644,390**	4,966,193

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.

Where the company is party to a joint arrangement which is not an entity, its part of the income and expenditure, assets, liabilities and cash flows have been included in these financial statements.

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 Strategic 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.

Notes *(continued)*

1 Accounting policies *(continued)*

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.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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.

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 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 2013 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

	2013	2012
Turnover by activity was as follows	**£**	£
Property development and contract work	**8,807,748**	8,036,925
Rental income	**4,869,596**	4,901,495
	13,677,344	12,938,420

All turnover arose in the United Kingdom.

3 Notes to the profit and loss account

	2013	2012
	£	£
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation and other amounts written off tangible fixed assets:		
Owned	**38,477**	43,766
Gain on sale of fixed asset	**(780,902)**	(134,564)
Impairment of investments	**6,000**	-

	2013	2012
Auditor's remuneration:	**£**	£
Audit of these financial statements	**8,800**	8,000

The company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of its parent Knight Property Holdings Limited.

Notes *(continued)*

4 Remuneration of directors

	2013	2012
	£	£
Directors' emoluments	**462,467**	246,425
Company contributions to money purchase pension schemes	**8,400**	6,000
Amounts paid to third parties in respect of directors' services	**19,330**	23,662
	490,197	276,087

The emoluments of the highest paid director were £281,955 *(2012: £139,874)* and company pension contributions of £7,800 *(2012: £6,000)* were made to a money purchase scheme on their behalf.

	Number of directors	
	2013	2012
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**2**	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	
	2013	2012
Directors	**4**	3
Administration	**6**	7
	10	10

The aggregate payroll costs of these persons were as follows:

	2013	2012
	£	£
Wages and salaries	**625,473**	409,549
Social security costs	**75,649**	47,261
Other pension costs (note 19)	**17,176**	31,358
	718,298	488,168

6 Other interest receivable and similar income

	2013	2012
	£	£
Group interest	**74,217**	97,038
Bank interest received	**9,843**	2,793
Other	**960**	731
	85,020	100,562

Notes *(continued)*

7 Interest payable

	2013	2012
	£	£
On bank loans and overdrafts	**1,138,553**	1,329,394
On all other loans	-	1,328
Group interest	**68,596**	28,009
	1,207,149	1,358,731

Interest on bank loans and overdrafts includes £88,600 *(2012: £88,600)* of debt amortisation costs.

8 Taxation

Analysis of charge in period

	2013		2012	
	£	£	£	£
UK corporation tax				
Current tax on income for the period	**1,438,813**		619,517	
Adjustments in respect of prior periods	**(94,619)**		(73,803)	
Tax on gains recognised in Statement of Total Recognised Gains and Losses	**(495,513)**		-	
Total current tax		**848,681**		545,714
Tax on profit on ordinary activities		**848,861**		545,714

Factors affecting the tax charge for the current period

The current tax charge for the period is lower *(2012: lower)* than the standard rate of corporation tax in the UK 23.25% (*2012: 26.5%*). The differences are explained below.

	2013	2012
	£	£
Current tax reconciliation		
Profit on ordinary activities before tax	**5,138,577**	3,017,783
Current tax at 23.25% *(2012: 24.5 %)*	**1,194,719**	739,357
Effects of:		
Expenses not deductable for tax purposes	**20,347**	85,167
Chargeable gains and indexations	**(107,393)**	(3,300)
Adjustments to tax charge in respect of previous periods	**(94,619)**	(73,803)
Capital allowances for period in excess of depreciation	**(164,373)**	(201,707)
Total current tax charge (see above)	**848,681**	545,714

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 £577,421 *(2012: £573,275).* This sum excludes any tax on chargeable gains.

Notes *(continued)*

8 Taxation *(continued)*

Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 24% to 23% (effective 1 April 2013) was substantively enacted on 5 July 2012. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2013 has been calculated based on the rates of 20% and 21% substantively enacted at the balance sheet date.

9 Dividends

The aggregate amount of dividends comprises:

	2013	2012
	£	£
Interim dividend paid (£39.80 per share *(2012: £19.44 per share)*)	**2,600,000**	1,270,000
Final dividend paid (£38.26 per share *(2012: nil)*)	**2,500,000**	-
Final dividends paid on equity capital	**5,100,000**	1,270,000

10 Tangible fixed assets

	Land and buildings	**Motor vehicles**	**Fixtures, fittings and equipment**	**Total**
	£	**£**	**£**	**£**
Cost or valuation				
At beginning of year	61,650,411	92,492	148,380	61,891,283
Additions	4,500,343	-	1,457	4,501,800
Disposals	(8,104,119)	-	(32,106)	(8,136,225)
Revaluations	850,007	-	-	850,007
At end of year	58,896,642	92,492	117,731	59,106,865
Depreciation				
At beginning of year	-	35,376	137,509	172,885
Charge for year	-	31,584	6,893	38,477
On disposals	-	-	(32,106)	(32,106)
At end of year	-	66,960	112,296	179,256
Net book value				
At 31 December 2013	**58,896,642**	**25,532**	**5,435**	**58,927,609**
At 31 December 2012	61,650,411	57,116	10,871	61,718,398

Additions include £3,001,685 of assets under construction at the year end.

Notes *(continued)*

10 Tangible fixed assets *(continued)*

Land and buildings is analysed as follows:

	2013 £	2012 £
Investment properties	**55,345,084**	59,681,658
Assets under construction	**3,001,685**	1,422,253
Other land and buildings	**549,873**	546,500
Total	**58,896,642**	61,650,411

The cost of land and buildings comprises:

	2013 £	2012 £
Freehold - at valuation	**39,699,450**	43,168,994
- at cost	**3,001,683**	1,422,253
Long leasehold	**914,423**	914,423
	43,615,556	45,505,670

The freehold and leasehold land and buildings owned by the Company have been valued by external valuers, Rydens LLP on 09 May 2013. The freehold investment properties owned by the company were valued by an internal valuer, Howard Crawshaw, Director, on 31 December 2013. 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

	2013 £	2012 £
At existing use value: 09 May 2013 – Full	**549,875**	546,500
Aggregate depreciation thereon	-	-
Net book value	**549,875**	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.

Notes *(continued)*

11 Fixed asset investments

	Shares in group undertakings £	Other investments £	Total £
Cost			
At beginning and end of year	400,002	12,086	412,088
Provision			
At beginning of year	-	-	-
Charge for the year	-	6,000	6,000
At end of year	-	6,000	6,000
Net book value			
At 31 December 2013	**400,002**	**6,086**	**406,088**
At 31 December 2012	400,002	12,086	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 of shares held	Percentage held
Subsidiary undertakings				
Knight Real Estate (Scotland) Limited	Scotland	Dormant	Ordinary	100%
Gatts Scotland Limited	Scotland	Dormant	Ordinary	100%
KRE Developments LLP	Scotland	Property Investment	Entity in which company is a member	
KPG Investments LLP	Scotland	Property investment	Entity in which company is a member	
KPG Developments LLP	Scotland	Dormant	Entity in which company is a member	

12 Stocks

	2013 £	2012 £
Land and buildings held for resale	**500,000**	500,000

13 Debtors

	2013 £	2012 £
Trade debtors	**126,315**	47,871
Amounts owed by group undertakings	**1,078,428**	3,223,868
Amounts owed by related parties	**73,900**	68,831
Undistributed profits of limited liability partnership	**3,449,259**	2,070,528
Taxation and social security	**492,225**	422,757
Other debtors	**1,120,204**	243,966
Prepayments and accrued income	**112,606**	661,691
	6,452,937	6,739,512

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

	2013 £	2012 £
Bank loans and overdrafts	**761,400**	761,400
Trade creditors	**349,892**	129,647
Amounts owed to group undertakings	**2,531,249**	687,564
Amounts owed to related parties	**-**	103,440
Amounts owed to directors	**28,453**	94,921
Corporation tax	**1,073,007**	493,516
Taxes and social security	**26,529**	17,788
Other creditors	**19,021**	7,377
Accruals and deferred income	**1,832,230**	1,969,952
	6,621,781	4,265,605

15 Creditors: amounts falling due after more than one year

	2013 £	2012 £
Bank loans	**28,777,823**	32,919,559
Amounts owed to group undertakings	**1,051,998**	1,952,158
	29,829,821	34,871,717

Amounts owed to group undertakings includes a loan of £400,000 *(2012: £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	2013 £	2012 £
In one year or less	**850,000**	850,000
Between one and two years	**850,000**	850,000
Between two and five years	**28,075,490**	32,305,826
Net debt	**29,775,490**	34,005,826
Less debt issue costs	**(236,267)**	(324,867)
Net debt (after debt issue costs)	**29,539,223**	33,680,959

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

	2013	2012
	£	£
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

	Revaluation reserve	Profit and loss account
	£	£
Opening balance	16,144,741	15,003,250
Profit for the year	-	4,289,896
Tax on gains previously recognised in Statement of Total Recognised Gains	-	(495,513)
Dividends on shares classified in shareholders' funds	-	(5,100,000)
Revaluations in the year	850,007	-
Revaluation realised on disposal	(1,713,662)	1,713,662
At end of year	**15,281,086**	**15,411,295**

18 Commitments

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

	2013	2012
	£	£
Contracted but not provided for in these financial statements	**3,416,573**	2,092,196

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 £17,176 *(2012: £31,358)*.

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 immediate 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	7,284,077	437,006
	Loan	(2,367,104)	520,928
	Loan	-	(400,000)
	Profit share	1,010,301	2,620,962
KPG Investments LLP, a joint venture of which Knight Property Group PLC is partner	Professional fees	-	185,417
	Profit share	180,572	642,880
Chess Group PLC a Company under common control	Recharges/purchases	317,425	(35,288)
	Management fees	150,108	12,509
Bluesky Business Space Sales Limited, a Company under common control	Rental income	295,401	34,869
	Sales	522,848	6,650
Space Solutions (Scotland) Limited, an associate of Chess Group PLC, a Company under common control	Sales	344,592	14,550
	Purchases	625,345	(240,356)
James Barrack, a director	Loan	66,468	(28,453)
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.