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KNIGHT REAL ESTATE LIMITED
(Company Number: 69466)

DIRECTORS' REPORT AND ACCOUNTS

31 DECEMBER 2008

THURSDAY



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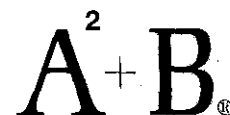
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COMPANIES HOUSE

Anderson Anderson & Brown LLP
Chartered Accountants

KNIGHT REAL ESTATE LIMITED
DIRECTORS' REPORT



Directors: J G Barrack
H Crawshaw
G R Morrison

Secretaries: Brodies Secretarial Services Limited

Registered office: 62 Queens Road, Aberdeen

The directors submit their report and the audited accounts of the company for the year ended 31 December 2008.

RESULTS AND DIVIDENDS

The profit for the year, amounting to £14,632 (2007 - £27,105) has been dealt with as shown in the profit and loss account. No dividend was paid during the year (2007 - £252,500).

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS DEVELOPMENTS

The principal activity of the Company was that of project management of property developments.

CHARITABLE CONTRIBUTIONS

During the year the company made charitable contributions totalling £500 (2007 - £15,000).

PROVISION OF INFORMATION TO AUDITORS


As far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware and we have taken all the steps that we ought to have taken as directors in order to make ourselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

Anderson Anderson & Brown LLP have expressed their willingness to continue in office and a resolution proposing their re-appointment will be submitted at the annual general meeting.

The directors' report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

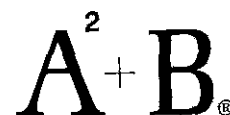
Signed on behalf of the board of directors


Director - J G Barrack

8/7/09

Date

KNIGHT REAL ESTATE LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES



Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) state whether or not applicable *United Kingdom Accounting Standards* have been followed, subject to any material departures disclosed and explained in the accounts; and,
- (d) prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
KNIGHT REAL ESTATE LIMITED**

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We have audited the accounts of Knight Real Estate Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Company Balance Sheet and the related notes. These accounts have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether or not the accounts give a true and fair view, are properly prepared in accordance with the Companies Act 1985 and the information given in the directors' report is consistent with the accounts. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion:-

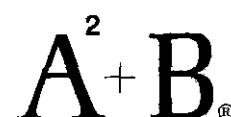
- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information provided in the directors' report is consistent with the accounts.

Anderson Anderson & Brown LLP

Anderson Anderson & Brown LLP
Chartered Accountants
Registered Auditors
Aberdeen

8 July 2009

KNIGHT REAL ESTATE LIMITED
 PROFIT AND LOSS ACCOUNT
 FOR THE YEAR ENDED 31 DECEMBER 2008



	Note	2008 £	2007 £
TURNOVER		2,842,517	12,810,216
Operating costs	2	<u>2,828,384</u>	<u>12,773,650</u>
OPERATING PROFIT	3	14,133	36,566
Interest receivable		<u>-</u>	<u>90</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		14,133	36,656
Taxation	6	<u>(499)</u>	<u>9,551</u>
PROFIT FOR THE FINANCIAL YEAR		<u>£ 14,632</u>	<u>£ 27,105</u>

The company has made no gains or losses other than as reported above.

Movements on reserves are shown in Note 12.


KNIGHT REAL ESTATE LIMITED
BALANCE SHEET - 31 DECEMBER 2008

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	Note	2008 £	2007 £
TANGIBLE FIXED ASSETS	8	-	33,508
CURRENT ASSETS			
Debtors	9	96,887	1,160,558
Cash at bank and in hand		194,009	687,209
		290,896	1,847,767
CREDITORS: <i>amounts falling due within one year</i>	10	102,066	1,707,077
NET CURRENT ASSETS		188,830	140,690
TOTAL ASSETS LESS CURRENT LIABILITIES		£ 188,830	£ 174,198
CAPITAL AND RESERVES			
Called up share capital	11	107	107
Profit and loss account	12	188,723	174,091
SHAREHOLDER'S FUNDS	12	£ 188,830	£ 174,198

The accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Signed on behalf of the board of directors


Director - J G Barrack

8/7/09

Date

1. ACCOUNTING POLICIES

(a) *Basis of accounts preparation*

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) *Depreciation*

The cost of fixed assets is written off by equal monthly instalments over their expected useful lives as follows:

Fixtures and fittings	2 - 3 years
Motor vehicles	3 years

(c) *Stocks and work in progress*

Stocks are valued at the lower of cost and net realisable value. Short-term work in progress is valued at cost less provisions for foreseeable losses and progress payments received and receivable. Long-term contract work in progress is valued at cost plus any attributable profit, less any foreseeable losses.

In the case of work in progress, cost comprises direct materials and direct labour, together with an appropriate addition for direct overheads.

(d) *Taxation*

Current tax, including UK corporation tax and foreign tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have been originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the accounts that arise from the inclusion of gains and losses in tax assessments in the period which are different from those recognised in the accounts. Deferred tax has been measured on a non-discounted basis.

(e) *Leasing and hire purchase commitments*

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the term of the lease on a straight line basis.

Rentals paid under operating leases are charged to income over the term of the lease.

2. OPERATING COSTS

	2008 £	2007 £
Staff costs - wages and salaries	427	285,978
- social security costs	-	30,341
- pension	52	790
Depreciation - owned assets	3,437	26,811
Gain on sale of fixed assets	(7,500)	-
Other operating charges	2,831,968	12,429,730
	<u>£ 2,828,384</u>	<u>£ 12,773,650</u>

3. OPERATING PROFIT *is stated after charging*

	2008	2007
Auditors' remuneration	<u>£ 3,000</u>	<u>£ 6,000</u>

4. EMOLUMENTS OF DIRECTORS

All directors are also directors of the company's ultimate holding company in whose accounts details of their emoluments can be found. The emoluments of the director paid by Knight Real Estate Limited are as follows:

	2008 £	2007 £
Remuneration (including benefits in kind)	-	17,677
Pension contributions	-	525
	<u>£ -</u>	<u>£ 18,202</u>

5. STAFF NUMBERS

The average number of persons employed by the company during the year, including the directors, was as follows:

	2008 No	2007 No
Management	3	1
Administration	-	4
Operations	-	4
	<u>3</u>	<u>9</u>

6. TAXATION *credit based on the profit for the year comprises:*

	2008 £	2007 £
Corporation tax		
- current year	-	9,876
- prior year	326	(325)
Group relief receivable	(825)	-
	<u>£ (499)</u>	<u>£ 9,551</u>

In 2007, the tax charge for the year does not materially differ from the amount which would be anticipated by applying the company's tax rate of 30% to its pre-tax profits.

The tax credit for 2008 differs from the amount that would be anticipated by applying the company's effective tax rate of 28.5% to its profits as a result of the following:

	2008 £
Profit on ordinary activities before taxation	<u>14,133</u>
Current tax at 28.5%	4,028
<i>Effects of:</i>	
Expenses not deductible for tax purposes	2,413
Group relief at different rate	15
Adjustments in respect of previous periods	326
Capital allowances in excess of depreciation	<u>(7,281)</u>
<i>Current tax charge for the year</i>	<u>£ (499)</u>

7. DIVIDENDS

	2008	2007
Ordinary shares of £nil per share (2007 - £2,525)	<u>£ -</u>	<u>£ 252,500</u>

8. TANGIBLE FIXED ASSETS

	Fixtures & fittings £	Motor vehicles £	Total £
COST			
At 1 January 2008	23,899	58,306	82,205
Disposals	(23,899)	(58,306)	(82,205)
At 31 December 2008	-	-	-
DEPRECIATION			
At 1 January 2008	8,550	40,147	48,697
Charge for year	-	3,437	3,437
Disposals	(8,550)	(43,584)	(52,134)
At 31 December 2008	-	-	-
Net book amounts at:			
31 December 2008	£ -	£ -	£ -
31 December 2007	£ 15,349	£ 18,159	£ 33,508

9. DEBTORS

	2008 £	2007 £
Trade debtors	11,368	15,433
Prepayments and accrued income	-	13,641
Amounts owed by related parties	83,366	1,131,484
Amounts owed by group undertakings	2,153	-
	<u>£ 96,887</u>	<u>£ 1,160,558</u>

10. CREDITORS *amounts falling due within one year*

	2008 £	2007 £
Trade creditors	50,235	1,265,250
Accruals and deferred income	-	8,930
Amounts owed to group undertakings	-	93,522
Amounts owed to related undertakings	38,192	329,824
Other taxes and social security	12,049	-
Corporation tax	1,590	9,551
	<u>£ 102,066</u>	<u>£ 1,707,077</u>

11. CALLED UP SHARE CAPITAL

	2008 & 2007 £
Authorised: Ordinary shares of £1 each	299,993
Non-voting shares of £1 each	7
	<u>£ 300,000</u>
Allotted, called up and fully paid: Ordinary shares of £1 each	100
Non-voting shares of £1 each	7
	<u>£ 107</u>

12. RECONCILIATION OF SHAREHOLDER'S FUNDS
AND MOVEMENTS ON RESERVES

	Share capital £	Profit and loss account £	Total £
At 31 December 2006	107	399,486	399,593
Profit for the year	-	27,105	27,105
Dividends	-	(252,500)	(252,500)
	<u>107</u>	<u>174,091</u>	<u>174,198</u>
At 31 December 2007	-	14,632	14,632
	<u>£ 107</u>	<u>£ 188,723</u>	<u>£ 188,830</u>

13. SECURITY

The bank borrowings are secured by a bond and floating charge over all assets of the company. The company has guaranteed the borrowings of other group members and related parties which at 31 December 2008 amounted to £473,000.

14. ULTIMATE HOLDING COMPANY

The ultimate holding company is Chess Group PLC, a company registered in Scotland. Chess Group PLC prepares consolidated accounts.

15. RELATED PARTY TRANSACTIONS

Control

Throughout the year, the company was controlled by its parent company.

Transactions

The company has taken advantage of the exemption conferred in FRS8 from disclosing transactions with related parties that are part of Chess Group PLC except those where Chess Group PLC owns less than 90% of the shares.

In the latter part of the year some companies with Chess Group PLC fell below 90% ownership. Due to the immaterial nature of these transactions, the directors have elected not to disclose these.

Other related party transactions in the year were as follows:

Related party	Transaction	£	Balance at year end £
Knight Property Group PLC, a company in which J G Barrack is a director	Sales	365,402	80,874
Friendville Pension Fund, a pension fund of which Chess Group PLC is the sponsoring company	Purchases	2,321	-
KRE Developments LLP, a partnership under common control	Sales	2,711,510	-
Space Solutions Limited, a company in which Chess Group PLC invests	Purchases	-	(6,119)

16. OTHER FINANCIAL COMMITMENTS

The annual commitment under non-cancellable operating leases is as follows:

	Land & buildings	
	2008	2007
	£	£
<i>Operating leases which expire</i>		
Between one and five years	120,000	120,000
	<u>£ 120,000</u>	<u>£ 120,000</u>