

1067607 (England & Wales)

Knightspur Properties plc
Annual Report and Financial Statements
for the year ended 31st December 2004



Knightspur Properties plc

Company Information

Directors	Peter Laurence Murphy Matthew Martin Slane
Secretary	Paul Williams
Company number	1067607 (England and Wales)
Registered office	2A Alexandra Grove North Finchley London N12 8NU
Auditors	Arvind Shah & Co 2 nd Floor King House 5 – 11 Westbourne Grove London W2 4UA

Knightspur Properties plc

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Knightspur Properties plc

Chairman's statement

Financial statements for the year ended 31st December 2004

Knightspur Properties plc and its subsidiaries are principally involved in the residential sector of the property market. The activities comprise mainly of development and trading in residential property portfolios.

I am pleased to report a consolidated profit before taxation of £784,546 for the year to 31st December 2004 (2003: £185,493). On a historical cost basis, the consolidated profit before tax would be the same at £784,546 (2003: £1,112,923).

In 2003 the directors agreed to dispose of investment companies to C&G Properties plc, a company under common control, for an amount of c£2.5m. This decision was taken so that the Knightspur group could concentrate all its resources on the trading and development of residential property.

During the year there was further significant progress in the group's joint venture development activities with sales of c£9.96m (2003: c£3.80m) and stock of property under development of c£11.49m (2003: c£14.09m). The sale of land at Grange Close in Winchester to a housing association contributed £0.70m to group turnover and the next phase of that development has commenced comprising 25 houses for sale on the open market and 12 flats for affordable housing. I am also pleased to report that sales at our prestigious development in Mill Hill at the former St Mary's Abbey contributed a further £2.73m to turnover.

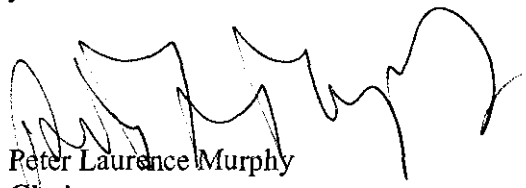
Progress has been made at other joint venture development sites mentioned in last year's annual report with the last remaining unit at Cossington Farm, Kent sold during the year.

The group has continued to adopt its policy to improve its residential portfolio by a programme of continued upgrading and provision of self-contained units. The group has expanded its activities through active participation in development joint ventures.

The group has acquired further sites for re-development where development work had not commenced at the year end date.

I am thankful for the continued support of our bankers, Barclays Bank plc and Investec Bank (UK) Limited through long term funding arrangements and for the support we receive for development funding from Allied Irish Bank, the Bank of Ireland and National Westminster Bank.

I am confident of the future prospects for the group and with the current range of properties under development hope to be able to report an improvement in the group results for the forthcoming year.



Peter Laurence Murphy
Chairman

Date: 25 July 2005

Knightspur Properties plc

Directors' report for the year ended 31st December 2004

The directors present their report and the financial statements for the year ended 31st December 2004.

Principal activities and review of the business

The principal activities of the group during the year have been that of property development, dealing, investment and management.

The review of the group's activities during the year and its future prospects are as indicated in the chairman's statement.

Results and dividends

The statutory consolidated profit and loss account which is set out on page 5 shows a profit before taxation of £784,546 (2003: £185,493).

The directors do not recommend the payment of a dividend.

Fixed assets

The significant changes in fixed assets during the year are detailed in notes 8 to 10 to the financial statements.

Directors and their interests

The directors who served during the year and their direct beneficial interests in the ordinary share capital of the company were as stated below:

	Class of Share	31 Dec 04 1 Jan 04	
Peter Laurence Murphy	Ordinary shares	77.52%	80.63%
Matthew Martin Slane	Ordinary shares	0.64%	0.67%

In addition to the interests shown above, Peter Laurence Murphy also has an indirect interest in the company by virtue of his 85% beneficial interest in C & G Properties plc which is interested in 12.80% (2003: 9.30%) of the company's share capital, and by being a member of The KCG Pension Fund, together with his wife, being the only two members of that scheme, which is interested in a further 9.04% (2003: 9.40%) of the company's share capital.

In addition to the above, Matthew Martin Slane had a beneficial interest in the following group companies:

	Class of Share	31 Dec 04 1 Jan 04	
Totteridge Common Limited	Ordinary shares	5%	5%
M25 Holdings Limited	Ordinary shares	25%	25%

Knightspur Properties plc

Directors' report for the year ended 31st December 2004 (continued)

Policy and practice on payment of creditors

It is the company's and group's policy to pay suppliers in accordance with the payment terms negotiated with them.

Auditors

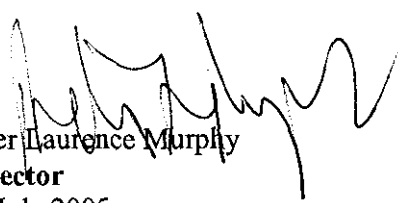
Arvind Shah & Co were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be reappointed will be put to the Annual General Meeting.

Directors' responsibilities

The directors are required by law to prepare financial statements for each year which give a true and fair view of the state of affairs of the company and group as at the end of the financial year and of the profit or loss of the group for the financial year. The directors confirm their responsibility to ensure that appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made, in the preparation of the financial statements for the year ended 31st December 2004. The directors also confirm their responsibility to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for maintaining adequate accounting records, for safeguarding the assets of the group, and for taking reasonable steps to prevent and detect fraud and other irregularities.

On behalf of the Board



Peter Laurence Murphy
Director
25 July 2005

**Independent auditors' report
to the shareholders of Knightspur Properties plc**

We have audited the financial statements of Knightspur Properties plc on pages 5 to 27 for the year ended 31 December 2004. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out on pages 12 and 13.

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 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 auditors

As described in the statement of directors' responsibilities on page 3 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 group 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 audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material 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 financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the company and group as at 31st December 2004 and of the profit for the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arvind Shah & Co

Arvind Shah & Co

Chartered Accountants
& Registered Auditors

27 July 2005

2nd Floor
King House
5 – 11 Westbourne Grove
London W2 4UA

Knightspur Properties plc
Consolidated profit and loss account
for the year ended 31st December 2004

	Notes	2004		2003 Restated	
		£	£	£	£
Turnover - all from continuing operations	2		10,037,323		4,675,940
Cost of sales			(7,795,913)		(3,182,260)
Joint venturers' share of profits			(762,730)		(242,538)
Profits from joint ventures managed by others			296,771		-
Gross profit			1,775,451		1,251,142
Selling and marketing costs			(316,268)		(212,210)
Administrative expenses			(743,097)		(1,081,514)
Other operating income					
Rent receivable		197,627		379,368	
Less: property costs		(71,452)		(106,931)	
			126,175		272,437
Management fees receivable			482,500		250,000
Operating profit	3				
Continuing operations		1,324,761		443,333	
Discontinued operations		-		36,522	
			1,324,761		479,855
Profit on sale of investment properties - discontinued operations	4		-		595,920
Loss on sale of subsidiaries - discontinued operations			-		(240,000)
Profit on ordinary activities before interest			1,324,761		835,775
Investment income	5		9,863		286
Other interest receivable and similar income			130,675		44,774
Interest payable and similar charges	6		(680,753)		(695,342)
Profit on ordinary activities before taxation			784,546		185,493
Tax on profit on ordinary activities	7		(227,207)		(151,517)
Profit on ordinary activities after taxation			557,339		33,976
Minority interest			7,977		(59,390)
Retained profit / (loss) for the year	16a		565,316		(25,414)

Knightspur Properties plc

**Statement of total recognised gains and losses
for the year ended 31st December 2004**

	2004	2003
	£	£
Profit / (loss) for the financial year	565,316	(25,414)
Unrealised surplus on revaluation of properties	57,177	-
Total recognised gains and losses relating to the year	<u>622,493</u>	<u>(25,414)</u>

Note of historical cost profits and losses

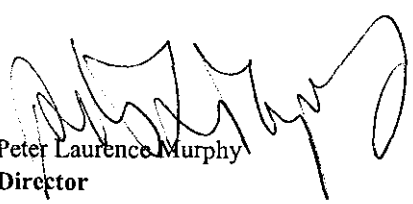
	2004	2003
	£	£
Reported profit on ordinary activities before taxation	784,546	185,493
Realisation of property revaluation gains of previous years	-	927,430
Historical cost profit on ordinary activities before taxation	<u>784,546</u>	<u>1,112,923</u>
Historical cost profit on ordinary activities after taxation and minority interests	<u>565,316</u>	<u>902,016</u>

Knightspur Properties plc

Consolidated balance sheet as at 31st December 2004

	Notes	2004 £	£	2003 £	£
Fixed assets					
Negative goodwill	8	(73,939)		(98,585)	
Tangible assets	9a	290,950		236,572	
Investments	10a	<u>2,520,845</u>		<u>2,522,845</u>	
			2,737,856		2,660,832
Current assets					
Stocks	11	16,797,995		18,218,562	
Debtors	12	1,539,926		1,027,762	
Cash at bank and in hand		<u>1,587,140</u>		<u>615,845</u>	
		19,925,061		19,862,169	
Creditors:					
Amounts falling due within one year	13	<u>(13,954,165)</u>		<u>(14,273,765)</u>	
Net current assets			5,970,896		5,588,404
Total assets less current liabilities			<u>8,708,752</u>		<u>8,249,236</u>
Creditors:					
Amounts falling due after more than one year	14		(462,500)		(911,900)
			<u>8,246,252</u>		<u>7,337,336</u>
Capital and reserves					
Called up share capital	15	2,184,379		2,100,062	
Share premium account	16a	831,495		621,412	
Revaluation reserve	16a	179,165		121,988	
Capital reserve	16a	489,227		489,227	
Profit and loss account	16a	<u>4,471,031</u>		<u>3,905,715</u>	
Equity shareholders' funds	17	8,155,297		7,238,404	
Minority interest		90,955		98,932	
			<u>8,246,252</u>		<u>7,337,336</u>

The financial statements were approved by the Board on 25 July 2005.


Peter Laurence Murphy
Director

Knightspur Properties plc

**Company balance sheet
as at 31st December 2004**

	Notes	2004 £	£	2003 £	£
Fixed assets					
Tangible assets	9b		9,119		10,132
Investments	10b		5,196,021		5,196,130
			5,205,140		5,206,262
Current assets					
Stocks	11	10,316,241		13,509,080	
Debtors	12	2,455,431		1,028,891	
Cash at bank and in hand		1,118,817		301,191	
		13,890,489		14,839,162	
Creditors:					
Amounts falling due within one year	13	(11,993,459)		(13,064,211)	
Net current assets			1,897,030		1,774,951
Total assets less current liabilities			7,102,170		6,981,213
Creditors:					
Amounts falling due after more than one year	14	(462,500)		(911,900)	
			6,639,670		6,069,313
Capital and reserves					
Called up share capital	15		2,184,379		2,100,062
Share premium account	16b		831,495		621,412
Capital reserve	16b		1,109		1,109
Profit and loss account	16b		3,622,687		3,346,730
Equity shareholders' funds	17		6,639,670		6,069,313

The financial statements were approved by the Board on 25 July 2005.

Peter Laurence Murphy
Director

Knightspur Properties plc

**Consolidated cash flow statement for the year ended
31st December 2004**

	Notes	2004	2003
		£	£
Net cash inflow / (outflow) from operating activities	1	3,860,990	(3,806,320)
Returns on investments and servicing of finance			
Interest received		17,255	44,774
Interest paid		(671,254)	(699,527)
Dividends received		9,563	286
Net cash outflow from returns on investments and servicing of finance		(644,436)	(654,467)
Taxation			
Corporation Tax paid		(104,103)	(269,824)
Capital expenditure and financial investment			
Purchase of listed investments		(320)	(600)
Purchase of investment properties		-	(51,332)
Purchase of other tangible fixed assets		(25,935)	(45,280)
Sale of listed investments		2,620	-
Sale of investment properties		-	901,160
Receipts from sales of tangible fixed assets		1,000	14,123
Net cash (outflow) / inflow from capital expenditure and financial investment		(22,635)	818,071
Financing			
Debt due within one year			
Short term loans drawn down		1,498,035	2,137,805
Short term loans repaid		(3,498,869)	(280,478)
Debt due in more than one year			
Loans repaid		(155,000)	-
Capital element of hire purchase contracts		-	(5,997)
Net cash (outflow) / inflow from financing		(2,155,834)	1,851,330
Increase / (decrease) in cash in the year		933,982	(2,061,210)

Knightspur Properties plc

**Notes to the consolidated cash flow statement
for the year ended 31st December 2004**

1 Reconciliation of operating profit to net cash flows from operating activities

	2004	2003
	£	£
Operating profit	1,324,761	479,855
Depreciation charges	21,419	17,977
Amortisation of negative goodwill	(24,646)	(24,646)
Loss / (profit) on disposal of fixed assets	6,315	(1,385)
Decrease / (increase) in stocks of properties	1,270,567	(3,968,091)
Increase in debtors	(248,744)	(1,789,306)
Increase in creditors	1,511,318	1,479,276
Net cash inflow / (outflow) from operating activities	3,860,990	(3,806,320)

2 Reconciliation of net cash flow to movement in net debt (note 3)

	2004	2003
	£	£
Increase / (decrease) in cash in the year	933,982	(2,061,210)
Cash outflow / (inflow) from movement in debt	2,155,834	(1,851,330)
Decrease / (increase) in net debt resulting from cash flows	3,089,816	(3,912,540)
Net debt disposed of with subsidiary	-	292,500
Debt converted into shares during the year	294,400	-
Net debt at start of year	(9,207,004)	(5,586,964)
Net debt at end of year	(5,822,788)	(9,207,004)

Knightspur Properties plc

Notes to the consolidated cash flow statement (continued) for the year ended 31st December 2004

3 Analysis of changes in net debt

	At 1 January 2004 £	Cash flow £	Other non-cash changes £	At 31 December 2004 £
Cash in hand and at bank	615,845	971,295	-	1,587,140
Overdrafts	(6,239)	(37,313)	-	(43,552)
	609,606	933,982	-	1,543,588
Debt due within one year	(8,904,710)	2,000,834	-	(6,903,876)
Debt due after one year	(911,900)	155,000	294,400	(462,500)
Net debt	(9,207,004)	3,089,816	294,400	(5,822,788)

4 Major non-cash transactions

The 5% loan notes due to C&G Properties plc, a related company, were converted on the 23rd December 2004 into additional shares in Knightspur Properties plc.

Knightspur Properties plc

Notes forming part of the financial statements for the year ended 31st December 2004

1 Accounting policies

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and in accordance with applicable Accounting Standards. The financial statements adopt the following accounting policies:

1.1 Basis of consolidation

Subsidiaries

The consolidated financial statements include the accounts of the holding company and all its subsidiaries. Negative goodwill arising on consolidation and representing the excess of the fair value of the net assets acquired over purchase price is amortised over its estimated useful life of five years from the first full financial year after acquisition.

Joint ventures

The group is involved in various property development joint ventures. The nature of all but one of these joint ventures is such that the group effectively controls the day to day operations with a share of the profits payable to the joint venture partners. Accordingly, the group has consolidated the results of those joint ventures under its control as if they were a normal part of its own trading. The share of profits payable to joint venture partners has been shown separately before arriving at gross profit and the amounts invested by the joint venturers have been included under creditors due within one year.

The results for the joint venture managed by others has been disclosed separately on the profit and loss account before arriving at gross profit and the amount invested in this joint venture has been included under debtors.

1.2 Turnover

Turnover represents sales of properties held as trading stock and fees receivable from property management.

1.3 Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets, except investment properties, over their expected useful lives. It is calculated on the original cost of the assets at the following rates:

Computer equipment	- straight line over 3 years
Furniture, fixtures and fittings	- 10% per annum on net book value
Motor vehicles	- 25% per annum on net book value

Knightspur Properties plc

Notes forming part of the financial statements for the year ended 31st December 2004

1 Accounting policies (continued)

1.4 Investment properties

In accordance with SSAP 19, (i) investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve, and (ii) no depreciation or amortisation is provided in respect of freehold investment properties. The directors consider that this accounting policy results in the accounts giving a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

1.5 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.6 Stock and work in progress

Stock and work in progress is valued at the lower of cost and net realisable value.

Net realisable value is based on estimated selling price less further costs to completion and disposal.

1.7 Pensions

The group contributes to money purchase pension plans for its employees and for one of the directors. Contributions are charged to the profit and loss account as they become payable.

1.8 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. On the basis of these financial statements, no provision has been made for deferred tax.

No provision has been made for deferred tax on gains recognised on revaluing investment properties

1.9 Comparative figures

In order to improve presentation, the company has reallocated certain profit and loss account items resulting in a restatement for the previous year. Rent receivable from investment properties which was previously treated as turnover is now included under other operating income. Any property costs, either from investment properties or trading properties, are now deducted from rents receivable before arriving at other operating income. Previously, property costs were shown separately before administrative expenses.

Knightspur Properties plc

**Notes to the financial statements
for the year ended 31st December 2004**

2 Turnover analysis by activity

	2004	2003
	£	Restated £
Group		
Sales of properties	9,955,868	4,620,885
Property management	81,455	55,055
	10,037,323	4,675,940

3 Operating profit

	2004	2003
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	21,419	17,977
Loss on disposal of tangible assets	6,315	-
Auditors' remuneration	40,321	58,731
and after crediting:		
Rent receivable	197,627	379,368
Profit on disposal of fixed assets	-	1,385
	197,627	379,368

The effect on the results of the disposals in the previous year was as follows:

	Year ended 31 December 2004 (all continuing)	Year ended 31 December 2003		
	£	Continuing Restated	Discontinued Restated	Total Restated
		£	£	£
Turnover	10,037,323	4,675,940	-	4,675,940
Cost of sales	(7,795,913)	(3,182,260)	-	(3,182,260)
Joint venturers' share of profits	(762,730)	(242,538)	-	(242,538)
Share of profits from joint ventures managed by others	296,771	-	-	-
Gross profit	1,775,451	1,251,142	-	1,251,142
Selling and marketing costs	(316,268)	(212,210)	-	(212,210)
Administrative expenses	(743,097)	(1,011,279)	(70,235)	(1,081,514)
Other operating income	608,675	415,680	106,757	522,437
Operating profit	1,324,761	443,333	36,522	479,855

Knightspur Properties plc

**Notes to the financial statements
for the year ended 31st December 2004**

4 Profit on sale of investment properties

	2004	2003
	£	£
Profit on sale of investment properties against opening valuation	-	595,920
Realised on investment properties against historical cost	-	1,523,350

5 Investment income

	2004	2003
	£	£
Income from listed investments	207	286
Income from unlisted investments	9,356	-
Profit on disposal of listed investments	300	-
	9,863	286

6 Interest payable

	2004	2003
	£	£
On bank loans and overdrafts	644,318	675,856
Other loans	36,213	14,720
On overdue tax	222	4,766
	680,753	695,342

Knightspur Properties plc

**Notes to the financial statements
for the year ended 31st December 2004**

7 Taxation

	2004	2003
	£	£
Domestic current year tax		
UK Corporation Tax	227,644	168,559
Adjustment for prior years	(437)	(17,042)
Current tax charge	227,207	151,517
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	784,546	185,493
Profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 30% (2003: 30%)	235,364	55,648
Effects of:		
Non deductible expenses	4,546	3,745
Depreciation	13,820	5,393
Capital allowances	(6,061)	(6,608)
Adjustments to previous periods	(437)	(17,042)
Chargeable disposals	24	229,642
Dividends and distributions received	(2,865)	(86)
Other tax adjustments	(17,184)	(119,175)
	(8,157)	95,869
Current tax charge	227,207	151,517

No provision has been made for taxation which might become payable if the group's investment properties were sold at the net amount stated in these financial statements; the additional tax liability could amount to approximately £50,000 (2003: £34,000).

Knightspur Properties plc

**Notes to the financial statements
for the year ended 31st December 2004**

8 Negative goodwill - group

	£
Cost	
At 1st January 2004 and at 31st December 2004	123,231
Amortisation	
At 1st January 2004	24,646
Credit for the year	24,646
At 31st December 2004	49,292
Net Book Value at	
31st December 2004	73,939
31st December 2003	98,585

Knightspur Properties plc

**Notes to the financial statements
for the year ended 31st December 2004**

9a. Tangible fixed assets - group

	Investment properties £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost or valuation				
At 1st January 2004	164,823	132,691	37,775	335,289
Additions	-	7,435	18,500	25,935
Disposals	-	-	(17,340)	(17,340)
Revaluation	57,177	-	-	57,177
At 31st December 2004	222,000	140,126	38,935	401,061
Depreciation				
At 1st January 2004	-	88,690	10,027	98,717
On disposals	-	-	(10,025)	(10,025)
Charge for the year	-	11,685	9,734	21,419
At 31st December 2004	-	100,375	9,736	110,111
Net Book Value at				
31st December 2004	222,000	39,751	29,199	290,950
31st December 2003	164,823	44,001	27,748	236,572

The investment properties have been stated at directors' valuation. The historical cost of the investment properties is £42,835 (2003: £42,835).

Knightspur Properties plc

Notes to the financial statements for the year ended 31st December 2004

9b. Tangible fixed assets - company

	Fixtures & fittings £
Cost	
At 1st January 2004 and at 31st December 2004	55,573
Depreciation	
At 1st January 2004	45,441
Charge for the year	1,013
At 31st December 2004	46,454
Net book value at 31st December 2004	9,119
Net book value at 31st December 2003	10,132

10a. Investments - group

	Listed investments £	Unlisted investment £	Total £
Cost			
At 1st January 2004	2,400	2,520,445	2,522,845
Additions	320	-	320
Disposals	(2,320)	-	(2,320)
At 31st December 2004	400	2,520,445	2,520,845

The unlisted investment comprises of 4.5% loan stock in C&G properties plc which was acquired on the transfer of various subsidiaries to C&G Properties plc on 31st December 2003. The loan stock is redeemable at any time after 31st December 2013.

Knightspur Properties plc

Notes to the financial statements for the year ended 31st December 2004

10b. Investments - company

	Listed investments	Unlisted investment	Subsidiary undertakings	Total
	£	£	£	£
Cost or valuation				
At 1st January 2004	600	2,520,445	2,675,085	5,196,130
Additions	320	-	91	411
Disposals	(520)	-	-	(520)
At 31st December 2004	400	2,520,445	2,675,176	5,196,021

The unlisted investment comprises of 4.5% loan stock in C&G properties plc which was acquired on the transfer of various subsidiaries to C&G Properties plc on 31st December 2003. The loan stock is redeemable at any time after 31st December 2013.

10c Knightspur Properties plc holds the following direct and indirect interests in the equity capital of the undertakings indicated below:

Name of company	Country of registration	Holdings	Proportion held
Trading companies			
Covemile Limited	England	Ordinary Shares	90%
Gardenstate Properties Limited	England	Ordinary shares	75%
Halterstone Limited	England	Ordinary shares	100%
Happy Homes M25 Limited	England	Ordinary shares	100%
Roundpoll Limited	England	Ordinary Shares	100%
Totteridge Common Limited	England	Ordinary shares	95%
Wadestock Limited	England	Ordinary shares	100%
Investment companies			
Dawnstar Properties Limited	England	Ordinary Shares	100%
M25 Holdings Limited (formerly Yearvale Limited)	England	Ordinary Shares	75%
M25 Estates Limited	England	Ordinary Shares	100%
M25 Investments Limited	England	Ordinary Shares	75%
Dormant / nominee companies			
Alnor Properties Limited	England	Ordinary Shares	100%
Canaryridge Limited	England	Ordinary Shares	100%
Condo Properties Limited	England	Ordinary Shares	100%
Plum Properties Limited	England	Ordinary Shares	100%
Stimpson (Investments) Limited	England	Ordinary Shares	100%
Totteridge House Limited	England	Ordinary Shares	100%
Wards Properties (Clacton) Limited	England	Ordinary Shares	100%

Knightspur Properties plc

Notes to the financial statements
for the year ended 31st December 2004

11 Stocks

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Stock of properties	16,797,995	18,218,562	10,316,241	13,509,080

12 Debtors: falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Trade debtors	1,606	190,318	-	176,322
Amounts owed by subsidiary undertakings	-	-	1,523,608	349,670
Other debtors	153,452	248,669	70,287	154,654
Amounts owed by joint venturers	805,283	264,608	805,283	264,608
Prepayments and accrued income	579,585	324,167	56,253	83,637
	1,539,926	1,027,762	2,455,431	1,028,891

Knightspur Properties plc

**Notes to the financial statements
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13 Creditors: falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Bank loans and overdrafts	6,947,428	8,910,949	5,444,882	7,116,786
Trade creditors	191,007	123,075	153,822	29,818
Amounts payable on completion	1,692,642	-	-	-
Amount owed to subsidiary undertakings	-	-	2,274,740	1,725,103
Amounts owed to joint venturers	2,357,872	2,827,112	1,797,600	2,117,331
Corporation Tax	287,627	164,523	80,320	-
Other taxes and social security costs	26,828	28,971	22,627	21,907
Director's current account	430,473	441,407	430,473	441,407
Other creditors	1,732,213	1,576,577	1,658,395	1,527,929
Accruals and deferred income	288,075	201,151	130,600	83,930
	13,954,165	14,273,765	11,993,459	13,064,211

The bank loans and overdrafts are secured by way of legal mortgages over land and buildings owned by the company and its subsidiary undertakings.

14 Creditors: falling due after more than one year

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
5% loan notes in C&G Properties plc	-	294,400	-	294,400
Bank loans repayable between				
- one and two years	155,000	155,000	155,000	155,000
- two and five years	307,500	462,500	307,500	462,500
	462,500	911,900	462,500	911,900

The 5% loan notes were converted into shares in the company on the 23rd December 2004.

Knightspur Properties plc

Notes to the financial statements for the year ended 31st December 2004

15 Share capital

	Number of ordinary shares	£
Authorised		
At 1st January 2004 and 31st December 2004 (£1 ordinary)	3,000,000	3,000,000
Allotted, called up and fully paid		
At 1st January 2004	2,100,062	2,100,062
Allotted on conversion of 5% loan notes	84,317	84,317
At 31st December 2004	2,184,379	2,184,379

On the 23rd December 2004, 84,317 ordinary shares of £1 each were allotted on the conversion of the 5% loan notes due to C&G Properties plc. The share premium arising thereon of £210,083 has been credited to the share premium account.

16a. Statement of movement on reserves - group

	Share premium account £	Revaluation reserve £	Capital reserve £	Profit and loss account £
Balance at 1st January 2004	621,412	121,988	489,227	3,905,715
Retained profit for the year	-	-	-	565,316
Revaluation during the year	-	57,177	-	-
Premium on shares issued during the year	210,083	-	-	-
At 31st December 2004	831,495	179,165	489,227	4,471,031

Knightspur Properties plc

**Notes to the financial statements
for the year ended 31st December 2004**

16b. Statement of movement on reserves - company

	Share premium account £	Capital reserve £	Profit and loss account £
Balance at 1st January 2004	621,412	1,109	3,346,730
Retained profit for the year	-	-	275,957
Premium on shares issued during the year	210,083	-	-
At 31st December 2004	831,495	1,109	3,622,687

17 Reconciliation of movements in shareholders' funds

	Group 2004 £	2003 £	Company 2004 £	2003 £
Profit / (loss) for the financial year	565,316	(25,414)	275,957	564,924
Other recognised gains and losses	57,177	-	-	-
Proceeds from issue from shares	294,400	-	294,400	-
Net movement in shareholders' funds	916,893	(25,414)	570,357	564,924
Opening shareholders' funds	7,238,404	7,263,818	6,069,313	5,504,389
Closing shareholders' funds	8,155,297	7,238,404	6,639,670	6,069,313

Knightspur Properties plc

Notes to the financial statements for the year ended 31st December 2004

18 Company profit and loss account

As permitted by s230 Companies Act 1985, the company has not presented its own profit and loss account. The profit for the financial year is made up as follows:

	Year ended 31 December 2004 £	Year ended 31 December 2003 £
Holding company's profit for the financial year	275,957	564,924

19 Contingent liabilities

The directors are aware of the fact that certain undertakings given by the company to the banks in respect of borrowings of former subsidiary companies have not been released following the disposal of the companies concerned. The directors are approaching the bankers with a view to removing the cross guarantees given by the company. At the balance sheet date the contingent liability in respect of those borrowings amounted to £202,500 (2003: £292,500).

20 Directors' emoluments - group and company

	2004 £	2003 £
Emoluments for qualifying services	93,338	87,509
Company pension contributions to money purchase schemes	-	200,000
	93,338	287,509

Emoluments disclosed above relate entirely to the highest paid director.

Knightspur Properties plc

Notes to the financial statements for the year ended 31st December 2004

21 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	Group		Company	
	2004	2003	2004	2003
Sales and marketing	1	1	1	1
Office and management	11	8	8	6
	<u>12</u>	<u>9</u>	<u>9</u>	<u>7</u>

Employment costs

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Wages and salaries	430,684	635,867	377,034	339,255
Social security costs	50,299	77,607	44,637	39,819
Other pension costs	7,169	204,850	5,002	204,850
	<u>488,152</u>	<u>918,324</u>	<u>426,673</u>	<u>583,924</u>

Pension costs for the previous year were inclusive of £200,000 paid to the the self administered scheme of the director, Peter Murphy. No contributions were made in the year to 31 December 2004.

22 Pension costs

The group contributes to individual money purchase pension plans for its employees. The group's contributions to pension plans during the year was £7,169 (2003: £204,850).

23 Control

The group is under the control of the director, Peter Laurence Murphy, by virtue of his beneficial interest in the issued share capital of Knightspur Properties plc as disclosed in the directors' report.

Knightspur Properties plc

Notes to the financial statements for the year ended 31st December 2004

24 Related party transactions

- a. Included under debtors / creditors are amounts due / payable as follows:

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Due from other connected companies	804,192	266,920	804,192	266,920
Due to companies under common control	1,297,680	1,210,576	1,297,680	1,210,576
Due to other connected companies	15,064	15,064	15,064	15,064

- b. Also included in other creditors is an amount of £289,017 (2003: £294,680) due to The KCG Pension Fund of which the director, Peter Murphy, is a trustee and member.
- c. Administrative expenses includes rent of £5,625 (2003: £22,500) payable to The KCG Pension Fund for the use of a part of one its investment properties as the group's office.
- d. Administrative expenses includes rent of £nil (2003: £150,000) payable to Peter Murphy for the use of a property owned by him.
- e. Other operating income includes £42,500 (2003: £50,000) in respect of management fees receivable from The M25 Group Limited, a company of which Peter Murphy is a director and registered shareholder as trustee for the Peter Murphy Children's Trust.
- f. Other operating income includes £440,000 (2003: £200,000) in respect of accrued management fees receivable from companies within the C & G Properties plc group which is under the control of Peter Murphy.
- g. Other operating income includes £127,771 (2003: £nil) in respect of share of profits due from a joint venture with Reachdrum Limited, a company under the control of the director, Matthew Martin Slane.
- h. Interest receivable includes £113,420 (2003: £nil) due from C&G Properties plc.
- i. Interest payable includes £21,816 (2003: £19,739) charged by The KCG Pension Fund on amounts loaned to the company. Interest payable also includes £14,397 (2003: £14,720) charged by C&G Properties plc.
- j. The director's current account of £430,473 (2003: £441,407) is due to the director, Peter Murphy. No interest has been charged on these sums.