

OM PROPERTY MANAGEMENT NO.2 LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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OM PROPERTY MANAGEMENT NO.2 LIMITED

COMPANY INFORMATION

Directors	J E Entwistle	
	O Saleh	(Appointed 7 June 2013)
	N Howell	(Appointed 1 April 2014)
Secretary	N J Hirst	
Company number	02231168	
Registered office	Queensway House 11 Queensway New Milton Hampshire United Kingdom BH25 5NR	
Auditors	BDO LLP Arcadia House Maritime Walk Ocean Village Southampton SO14 3TL	
Bankers	Royal Bank of Scotland 12 High Street Southampton Hampshire S014 2BF	

OM PROPERTY MANAGEMENT NO.2 LIMITED

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OM PROPERTY MANAGEMENT NO.2 LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

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

Principal activities and review of the business

The principal activity of the company continued to be that of the management of residential and commercial property developments. The company forms part of Peverel Property Management division of Knight Square Holdings Limited, the "Group" who acquired the Peverel Group of companies in 2012.

Business Review

Peverel's future success is not just about business performance. We are committed to raising industry standards and promoting best practice across the industry. We have supported recent self-regulation on transparency and continue to work with all interested parties to drive high standards.

Financial Review

Profit and Loss Account

Turnover for the year was £6.3m (2012: £6.1m).

After total net expenses of £6.3m (2012: £5.8m) the Company showed an Operating profit of £45k (2012: £305k) for the year.

The Company has received a small amount of interest in the year £17.8k (2012: £9.5k) which added to the above operating profit and a deferred tax charge of £19.6k (2012: deferred tax credit of £124.8k) provides a profit for the year of £43k (2012: £439k).

Balance Sheet

The Company has an improved net assets position of £130,803 (2012: £88,051).

Tangible net assets are minimal at £1k (2012: £4k) and comprise the office equipment that existed from previous years and has only reduced by the current year depreciation.

There are current assets of £6.9m (2012: £4.2m) with the increase year on year being due to larger debts owed by fellow subsidiaries that were not settled at the year end. Cash at bank remained healthy at £1.1m (2012: £1.1m).

Liabilities for the year (creditors due within one year and provisions for liabilities) have increased from £4.1m in 2012 to £6.8m due predominantly to an increase in amounts owed to fellow subsidiaries.

Directors

The following directors have held office since 1 January 2013:

J E Entwistle	
L E Middleburgh	(Resigned 7 April 2013)
M E Hoyland	(Appointed 7 June 2013 and resigned 31 March 2014)
O Saleh	(Appointed 7 June 2013)
P J Cummings	(Resigned 28 July 2013)
N Howell	(Appointed 1 April 2014)

Directors' insurance

Peverel maintains insurance policies on behalf of all the directors against liability arising from negligence, breach of duty and breach of trust in relation to the group.

OM PROPERTY MANAGEMENT NO.2 LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

Board

The Board and Management Team

OM Property Management No.2 Limited has a board comprising of three directors and is ultimately owned and controlled by Knight Square Holdings Limited, the "Group".

The Group Chief Executive Officer is responsible for the overall performance of the Knight Square group. Each operating division is headed by a Divisional Managing Director and is run by its own management and administrative team. They are supported by a small number of centrally provided functions comprising business development, finance, procurement, human resources, IT, marketing, communications and legal functions.

Operation of the Board

The Group Board meets at least 10 times each year to review the Group's strategy and performance. The executives of the Group are regularly invited to attend Board meetings when appropriate. The company's board meets approximately 12 times per annum.

Health and safety performance, any accidents, and lessons from any near-miss events are reviewed and considered at all Board meetings.

Committees of the Group Board

Audit Committee

The Group has an audit committee of three non-Executive directors – comprising Paul Lester (Chair), Jane Crawford, and Alex Fortescue. The Audit Committee meets at least twice annually to review the Group's results and internal controls.

The Group's auditors as well as the Chief Executive and Chief Financial Officers are invited to attend the Audit Committee meetings to report progress against agreed internal control and risk management objectives.

Strategic report

Advantage has been taken of the exemption under section 414B of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 from the requirement to prepare a strategic report.

OM PROPERTY MANAGEMENT NO.2 LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

Statement of directors' responsibilities

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgements and accounting 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;
- 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 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.

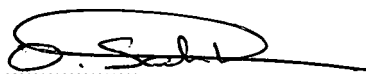
Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

Small company exemptions

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

On behalf of the board



O Saleh

Director

22/7/14

OM PROPERTY MANAGEMENT NO.2 LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF OM PROPERTY MANAGEMENT NO.2 LIMITED

We have audited the financial statements of OM Property Management No.2 Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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 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 explained more fully in the Directors' Responsibilities Statement, 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 Financial Reporting Council'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 United Kingdom 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.

OM PROPERTY MANAGEMENT NO.2 LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF OM PROPERTY MANAGEMENT NO.2 LIMITED

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.
- the directors were not entitled to prepare the directors' report in accordance with the small companies regime and to the exemption from the requirement to prepare a strategic report.



Kim H Hayward (Senior Statutory Auditor)
for and on behalf of BDO LLP
Statutory Auditor

28 July 2014

Arcadia House
Maritime Walk
Ocean Village
Southampton
SO14 3TL

BDO LLP is a limited liability partnership registered in England and Wales (registered number OC305127).

OM PROPERTY MANAGEMENT NO.2 LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £	2012 £
Turnover	2	6,301,274	6,136,686
Administrative expenses		(5,559,736)	(5,688,909)
Exceptional items		(696,946)	(142,820)
Total administrative expenses		(6,256,682)	(5,831,729)
Operating profit	3	44,592	304,957
Other interest receivable and similar income	4	17,803	9,487
Profit on ordinary activities before taxation		62,395	314,444
Tax on profit on ordinary activities	5	(19,642)	124,757
Profit for the year	12	42,753	439,201

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

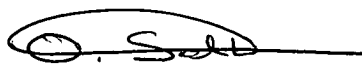
OM PROPERTY MANAGEMENT NO.2 LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2013

	Notes	2013 £	£	2012 £	£
Fixed assets					
Tangible assets	6		798		3,781
Current assets					
Debtors	7	5,871,061		3,165,436	
Cash at bank and in hand		1,050,457		1,058,049	
		<u>6,921,518</u>		<u>4,223,485</u>	
Creditors: amounts falling due within one year	9	<u>(4,612,731)</u>		<u>(1,631,407)</u>	
Net current assets			<u>2,308,787</u>		<u>2,592,078</u>
Total assets less current liabilities			<u>2,309,585</u>		<u>2,595,859</u>
Provisions for liabilities	10		<u>(2,178,782)</u>		<u>(2,507,808)</u>
			<u>130,803</u>		<u>88,051</u>
Capital and reserves					
Called up share capital	11	3,332,000		3,332,000	
Other reserves	12	1,460,363		1,460,363	
Profit and loss account	12	<u>(4,661,560)</u>		<u>(4,704,312)</u>	
Shareholders' funds	13		<u>130,803</u>		<u>88,051</u>

Approved by the Board and authorised for issue on 22/7/14



O Saleh

Director

Company Registration No. 02231168

OM PROPERTY MANAGEMENT NO.2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

These financial statements have been prepared on the going concern basis.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 Turnover

Turnover represents the amounts derived from the provision of services which fall within the company's ordinary activities, stated net of value added tax.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Office equipment	evenly over five years
Computer equipment	evenly over three/five years

1.5 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.7 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

1.8 Provisions for Liabilities

Provisions are recognised when the company has a present obligation as a result of a past event and it is probable that the company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date.

OM PROPERTY MANAGEMENT NO.2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating profit	2013 £	2012 £
Operating profit is stated after charging:		
Depreciation of tangible assets	2,983	4,123
Operating lease rentals		
- Plant and machinery	109,524	121,261
- Other assets	198,356	161,466
Exceptional items	696,946	142,820
	<u> </u>	<u> </u>

Fees payable to the company's auditor in the current and the prior year were paid by fellow subsidiary undertakings.

The exceptional item relates to provisions and payments made to estates under management of £699,946 (2012: £346,661) and the release of inter company bad debt provisions of £nil (2012: £203,841).

4 Investment income	2013 £	2012 £
Bank interest	17,803	9,487
	<u> </u>	<u> </u>

OM PROPERTY MANAGEMENT NO.2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

5	Taxation	2013 £	2012 £
	Total current tax	-	-
	Deferred tax		
	Origination and reversal of timing differences	(44,027)	(151,590)
	Effects of changes in tax rates and laws	63,669	26,833
		<u>19,642</u>	<u>(124,757)</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	<u>62,395</u>	<u>314,444</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 23.25% (2012 - 24.50%)	<u>14,507</u>	<u>77,039</u>
	Effects of:		
	Non deductible expenses	-	20
	Fixed asset timing differences	(29,420)	(43,384)
	Group relief	33,324	21,341
	Movement on unrecognised tax losses	(72,965)	(63,542)
	Inter company loan write offs	-	(50,285)
	Transfer pricing adjustments	54,554	53,078
	Other tax adjustments	-	5,733
		<u>(14,507)</u>	<u>(77,039)</u>
	Current tax charge for the year	<u>-</u>	<u>-</u>

The company has tax losses of approximately £3.8m (2012 - £5.3m) available to carry forward against future profits.

OM PROPERTY MANAGEMENT NO.2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

6 Tangible fixed assets

	Office equipment £
Cost	
At 1 January 2013 & at 31 December 2013	1,893,276
Depreciation	
At 1 January 2013	1,889,495
Charge for the year	2,983
At 31 December 2013	1,892,478
Net book value	
At 31 December 2013	798
At 31 December 2012	3,781

7 Debtors

	2013 £	2012 £
Trade debtors	459,986	478,939
Amounts owed by parent and fellow subsidiary undertakings	4,989,257	2,189,257
Other debtors	5,483	-
Prepayments and accrued income	24,534	85,797
Deferred tax asset (see note 10)	391,801	411,443
	<u>5,871,061</u>	<u>3,165,436</u>

8 Client Monies

Residents' net cash balances held in client bank accounts with RBS at 31 December 2013 were £15,885,191 (2012: 13,563,023). Further net cash balances were held in client bank accounts with Bank of Scotland at 31 December 2013 totalling £961,337 (2012: £484,224). The client bank accounts are held by way of Statutory Trust on behalf of the properties managed and are not available to the group.

9 Creditors: amounts falling due within one year

	2013 £	2012 £
Trade creditors	57,880	190,145
Amounts owed to parent and fellow subsidiary undertakings	3,805,202	1,070,454
Taxes and social security costs	310,787	273,652
Other creditors	11,409	59,031
Accruals and deferred income	427,453	38,125
	<u>4,612,731</u>	<u>1,631,407</u>

OM PROPERTY MANAGEMENT NO.2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

10 Provisions for liabilities

	Other £
Balance at 1 January 2013	2,507,808
Additional provisions made in the period	128,993
Amounts used during the period	(401,238)
Unused amounts reversed during the period	(56,781)
	<hr/>
Balance at 31 December 2013	2,178,782 <hr/>

The company manages a large number of commercial and residential property developments. There are historical issues within this significant portfolio which have given rise to some disputes and claims under the management contracts that govern them. Management continue to defend these claims vigorously and such claims can take many years to resolve so management have recognised the need for a provision.

The deferred tax asset (included in debtors, note 7) is made up as follows:

	2013 £	
Balance at 1 January 2013	(411,443)	
Profit and loss account	19,642	
	<hr/>	
Balance at 31 December 2013	(391,801) <hr/>	

	2013 £	2012 £
Decelerated capital allowances	(118,075)	(164,890)
Tax losses available	(273,726)	(246,553)
	<hr/>	<hr/>
	(391,801)	(411,443) <hr/>

There is an unrecognised deferred tax balance in respect of losses carried forward of £751,436 (2012: £967,304).

11 Share capital

	2013 £	2012 £
Allotted, called up and fully paid		
3,332,000 Ordinary shares of £1 each	3,332,000	3,332,000
	<hr/>	<hr/>

OM PROPERTY MANAGEMENT NO.2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

12 Statement of movements on reserves

	Other reserves (see below) £	Profit and loss account £
Balance at 1 January 2013	1,460,363	(4,704,313)
Profit for the year	-	42,753
Balance at 31 December 2013	1,460,363	(4,661,560)
Other reserves		
Loan Waiver		
Balance at 1 January 2013 & at 31 December 2013	1,460,363	

13 Reconciliation of movements in shareholders' funds

	2013 £	2012 £
Profit for the financial year	42,753	439,201
Proceeds from issue of shares	-	2,100,000
Net addition to shareholders' funds	42,753	2,539,201
Opening shareholders' funds	88,051	(2,451,150)
Closing shareholders' funds	130,803	88,051

14 Contingent liabilities

A number of bank accounts maintained for developments under management were overdrawn at 31 December 2013 amounting to £330,974 (2012: £846,461). The group has given unlimited guarantees on these amounts in the event of default.

The Group is party to a composite debenture secured over all of its assets. The borrower is Peverel Services Limited. The loan and deferred interest payable outstanding at the Balance Sheet date was £17,755,700 (2012: £24,250,000) and £nil (2012: £9,648).

OM PROPERTY MANAGEMENT NO.2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

15	Directors' remuneration	2013 £	2012 £
	Remuneration for qualifying services	366,013	536,519
	Company pension contributions to defined contribution schemes	26,786	39,436
		<hr/>	<hr/>
		392,799	575,955
		<hr/>	<hr/>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2012: 2).

The emoluments disclosed relate to four directors who provided services to the company (2012: 2). The remuneration of other directors is disclosed in the accounts of Knight Square Holdings Limited or its fellow subsidiaries. All directors' remuneration was paid either by Peverel Services Limited or OM Property Management Limited.

16 Employees

Number of employees

There were no employees during the year apart from the directors.

Employment costs

In 2013, there have been no staff directly employed by the company. During the year, employee costs of £2,628,126 (2012: £2,637,986) have been recharged to the company from a fellow subsidiary, OM Property Management Limited. These costs represent administration work carried out for the company by staff employed by OM Property Management Limited.

17 Control

The ultimate parent company of OM Property Management No.2 Limited is Knight Square Holdings Limited which is the smallest and largest group for which group financial statements are prepared and are available to the public and may be obtained from Companies House, Cardiff.

18 Related party relationships and transactions

The company has taken advantage of the exemption available in accordance with FRS 8 'Related party disclosures' not to disclose transactions entered into between two or more members of a group, as the company is a wholly owned subsidiary undertaking of the group to which it is party to the transactions.