

Company Registration No. 02231168 (England and Wales)

FIRSTPORT PROPERTY SERVICES NO 2 LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

TUESDAY



L04 *L8BAUNBA* 06/08/2019 #65
COMPANIES HOUSE

FIRSTPORT PROPERTY SERVICES NO 2 LIMITED

COMPANY INFORMATION

Directors	O Saleh N Howell
Secretary	FirstPort Secretarial Limited
Company number	02231168
Registered office	Queensway House 11 Queensway New Milton Hampshire United Kingdom BH25 5NR
Independent auditors	PricewaterhouseCoopers LLP 10 Bricket Road St Albans Herts AL1 3JX
Bankers	Royal Bank of Scotland 12 High Street Southampton Hampshire S014 2BF

FIRSTPORT PROPERTY SERVICES NO 2 LIMITED

CONTENTS

	Page(s)
Directors' report	1 - 2
Independent auditors' report	3 - 5
Profit and loss account and statement of comprehensive income	6
Balance sheet	7
Statement of changes in equity	8
Notes to the financial statements	9 - 20

FIRSTPORT PROPERTY SERVICES NO 2 LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and the audited financial statements for the year ended 31 December 2018.

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

Principal activities

The principal activity of the company is the provision of residential property management and related services within the UK. The company forms part of the FirstPort division of Knight Square Holdings Limited ("the Group").

Directors

The directors who held office during the year and up to the date of signing the financial statements were as follows:

O Saleh
N Howell

Directors' insurance

The company 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 company.

Results and dividends

The results for the year are set out in the profit and loss account on page 6.

Dividends of £1m were paid during the year (2017: £nil). The directors do not recommend payment of a final dividend (2017: £nil).

Future developments

During 2019/2020 we will continue to focus on sustaining excellent customer service, well-trained teams and introducing technological innovation to support our property managers and expanding into new growth areas of operation.

Going concern

Refer to the accounting policies (note 1.4) for a review of going concern.

Strategic report

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

FIRSTPORT PROPERTY SERVICES NO 2 LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



O Saleh

Director

2 August

2019

FIRSTPORT PROPERTY SERVICES NO 2 LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FIRSTPORT PROPERTY SERVICES NO 2 LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, FirstPort Property Services No 2 Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the profit and loss account, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

FIRSTPORT PROPERTY SERVICES NO 2 LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FIRSTPORT PROPERTY SERVICES NO 2 LIMITED (CONTINUED)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion on, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the statement of directors' responsibilities in respect of the financial statements set out on page 2, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

FIRSTPORT PROPERTY SERVICES NO 2 LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FIRSTPORT PROPERTY SERVICES NO 2 LIMITED (CONTINUED)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption in preparing a Directors report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Tim Broadway (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans

2 August 2019

FIRSTPORT PROPERTY SERVICES NO 2 LIMITED

PROFIT AND LOSS ACCOUNT AND STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

PROFIT AND LOSS ACCOUNT

	Note	2018 £	2017 £
Turnover	3	6,112,363	6,059,148
Administrative expenses		(4,767,645)	(4,726,139)
Exceptional items	4	(3,475,263)	-
Operating (loss)/profit and (loss)/profit before taxation	5	(2,130,545)	1,333,009
Tax on (loss)/profit	8	(180,239)	(221,466)
(Loss)/profit for the financial year		<u>(2,310,784)</u>	<u>1,111,543</u>

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

STATEMENT OF COMPREHENSIVE INCOME

	2018 £	2017 £
(Loss)/profit for the year	(2,310,784)	1,111,543
Other comprehensive income	-	-
Total comprehensive (expense)/income for the year	<u>(2,310,784)</u>	<u>1,111,543</u>

FIRSTPORT PROPERTY SERVICES NO 2 LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2018

	Note	2018 £	£	2017 £	£
Current assets					
Debtors	10	7,815,633		14,104,389	
Cash at bank and in hand		1,286,216		754,545	
		<u>9,101,849</u>		<u>14,858,934</u>	
Creditors: amounts falling due within one year	12	<u>(7,077,167)</u>		<u>(9,435,563)</u>	
Net current assets			2,024,682		5,423,371
Provisions for liabilities	13		(65,988)		(153,893)
Net assets			<u>1,958,694</u>		<u>5,269,478</u>
Capital and reserves					
Called up share capital	15		255,000		255,000
Other reserve			1,460,363		1,460,363
Profit and loss account			243,331		3,554,115
Total equity			<u>1,958,694</u>		<u>5,269,478</u>

The notes on pages 9 to 20 and integral part of these financial statements.

The financial statements on pages 6 to 20 were approved by the board of directors and authorised for issue on 2 August 2019 and are signed on its behalf by:



O Saleh
Director

Company Registration No. 02231168

FIRSTPORT PROPERTY SERVICES NO 2 LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Called up share capital £	Other reserve £	Profit and loss reserves £	Total equity £
Balance at 1 January 2017		3,332,000	1,460,363	(634,428)	4,157,935
Year ended 31 December 2017:					
Profit and total comprehensive income for the year		-	-	1,111,543	1,111,543
Reduction of share capital		(3,077,000)	-	3,077,000	-
Balance at 31 December 2017		255,000	1,460,363	3,554,115	5,269,478
Year ended 31 December 2018:					
Loss and total comprehensive income for the year		-	-	(2,310,784)	(2,310,784)
Dividends	9	-	-	(1,000,000)	(1,000,000)
Balance at 31 December 2018		255,000	1,460,363	243,331	1,958,694

FIRSTPORT PROPERTY SERVICES NO 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

General information

FirstPort Property Services No 2 Limited is a private company limited by shares and incorporated and domiciled in the United Kingdom. The registered office is Queensway House, 11 Queensway, New Milton, Hampshire, United Kingdom, BH25 5NR.

The company provides residential property management and related services within the UK.

1.1 Statement of compliance

These financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

1.2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

1.3 Basis of preparation

These financial statements are prepared on a going concern basis and under the historical cost convention. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

1.4 Going concern

The company is funded via the Knight Square group's bank facilities and therefore manages its day-to-day working capital requirements in line with the Group's facilities. The ability of the group to service its debt obligations is critical to the ongoing trading of the business and we have considered the key factors that could have an impact on trading and whether an adverse change in these factors could affect our ability to meet our liabilities. The Group has a considerable number of on-going management contracts and accordingly the forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and for at least the period of twelve months following the date of approval of these financial statements. The company therefore continues to adopt the going concern basis in preparing its financial statements.

FIRSTPORT PROPERTY SERVICES NO 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.5 Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the company's shareholders. The company has taken advantage of the following exemptions:

(i) from preparing a statement of cash flows required under FRS 102 paragraph 3.17(d), on the basis that it is a qualifying entity and a consolidated statement of cash flows is included in the consolidated financial statements of the company's ultimate parent, Knight Square Holdings Limited, which includes any cash flows of the company;

(ii) from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information, to the extent required, is provided in the consolidated financial statement disclosures of Knight Square Holdings Limited;

(iii) from disclosing the company key management personnel compensation, required by FRS 102 paragraph 33.7, as the information is provided in the consolidated financial statement disclosures of Knight Square Holdings Limited; and

(iv) from disclosing related party transactions, required under FRS 102 paragraph 33.9, on the basis that Knight Square Holdings Limited has control, joint control or significant influence over both the company and the related entities.

1.6 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of discounts and rebates allowed by the company and value added taxes.

The company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement in or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to the type of revenue have been met as described below.

(i) Residential property management services

Fees for residential property management services, including maintenance, are recognised as the company's obligations under the applicable contracts are delivered to the customer which is typically on a straight line basis over the period of the contract.

1.7 Exceptional items

The company classifies certain non-recurring charges or credits that have a material impact on the company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the company.

FIRSTPORT PROPERTY SERVICES NO 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.8 Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity in which case the related tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred tax assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is also recognised in relation to assets and liabilities acquired in a business combination where the amount that will be deducted or assessed for tax differs to the fair value at which the asset or liability is recognised on acquisition in the financial statements. The tax base of an asset or liability is determined based on the expected manner of recovery.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax assets and liabilities arise from income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an ability and intention to settle the balances at the same time.

FIRSTPORT PROPERTY SERVICES NO 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.9 Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

1.10 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts.

1.11 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably. Provisions are measured based on the company's best estimate at the reporting date of the expenditures expected to be required to settle the obligation discounted to the present value, where material.

FIRSTPORT PROPERTY SERVICES NO 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.12 Financial instruments

The company has elected to adopt Section 11 and Section 12 of FRS 102 to all of its financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables, and cash and bank balances, are initially recognised at transaction price. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment with any impairment being charged to profit and loss. If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. Financial assets are derecognised when the contractual rights to the cash flows from the asset expire or are settled, or substantially all the risks and rewards of the ownership of the asset are transferred to another party.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank and shareholder loans, amounts owed to fellow Group companies and bank overdrafts, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iv) Client monies held

The property management services performed by the company include services provided to residential management companies and which involve arranging and holding cash from levies and charges paid by residents to the residential management companies. The cash held at any point in time is held under Statutory Trust as set out in the Landlord & Tenant Act 1987. Accordingly, the company does not include these cash balances in its balance sheet.

1.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

1.14 Related parties

The company discloses transactions with related parties not wholly owned by Knight Square Holdings Limited. It does not disclose transactions with other group companies wholly owned by Knight Square Holdings Limited.

FIRSTPORT PROPERTY SERVICES NO 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 Critical accounting judgements and estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

(a) Critical accounting judgements in applying the company's accounting policies

There are no areas within the financial statements where management has been required to apply a critical judgement.

(b) Key accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Development related provisions

The company manages a large number of commercial and residential property developments, which give rise to some disputes and claims by customers under the management contracts that govern them. These claims can take many years to emerge, so management considers it appropriate to recognise a provision. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

(ii) Deferred tax assets

The recognition of deferred tax assets, particularly relating to previously incurred losses, requires judgement, including in relation to the future taxable profits of the entities that incurred the losses, the types of losses and future income, the utilisation of capital allowances in any year, and the extent of group relief transfers to be made across the Group.

3 Turnover

The company's turnover is all derived from its principal activity in the UK, that being residential property management services.

FIRSTPORT PROPERTY SERVICES NO 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

4 Exceptional items

	2018 £	2017 £
Intercompany loan write off	(3,475,263)	-
	<u>(3,475,263)</u>	<u>-</u>

In 2018, exceptional items relate to the write off of intercompany loan balances with fellow group companies.

5 Operating (loss)/profit and (loss)/profit before taxation

The cost of auditing these financial statements for the year was £9,371 (2017: £8,925). These costs have been borne by Knight Square Limited.

There were no non-audit costs in the year (2017: £nil).

6 Employees

There were no employees during the year (2017: none) with the exception of the directors.

7 Directors' remuneration

The directors are remunerated by FirstPort Limited as their services to the company are merely incidental to their employment in other FirstPort divisional companies. Details of the directors' remuneration can be found in the financial statements of FirstPort Limited.

FIRSTPORT PROPERTY SERVICES NO 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

8 Tax on (loss)/profit

	2018 £	2017 £
Deferred tax		
Origination and reversal of timing differences	201,444	182,003
Changes in tax rates	(21,205)	37,721
Adjustment in respect of prior periods	-	1,742
Total deferred tax	<u>180,239</u>	<u>221,466</u>

The charge for the year can be reconciled to the (loss)/profit per the profit and loss account as follows:

	2018 £	2017 £
(Loss)/profit before taxation	<u>(2,130,545)</u>	<u>1,333,009</u>
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	(404,804)	256,558
Tax effect of expenses that are not deductible in determining taxable profit	660,302	-
Adjustments in respect of prior years	-	1,742
Effect of change in corporation tax rate	(21,205)	37,721
Group relief	(123,175)	(137,192)
Transfer pricing	69,121	62,637
Taxation charge for the year	<u>180,239</u>	<u>221,466</u>

Changes to the UK corporation tax rates were enacted as part of the Finance (No.2) Act 2015 which received Royal Assent on 18 November 2015 and Finance Act 2016 which received Royal Assent on the 15 September 2016. These include reductions to reduce the main rate to 19% from 1 April 2017 and to 17% from 1 April 2020.

Deferred tax balance as 31 December 2018 were measured at 17% (2017: 19%) for items that are expected to be charged or credited to the profit and loss account in the next financial year.

FIRSTPORT PROPERTY SERVICES NO 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

9 Dividends

	2018 £	2017 £
Final paid	1,000,000	-

10 Debtors

	2018 £	2017 £
Trade debtors	243,021	165,095
Deferred tax asset (note 14)	242,651	422,890
Amounts owed by group undertakings	7,285,507	13,473,054
Other debtors	44,454	43,350
	<u>7,815,633</u>	<u>14,104,389</u>

Amounts due from Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

11 Client monies

Residents' net cash balances held in client bank accounts with The Royal Bank of Scotland at 31 December 2018 were £16,906,498 (2017: £15,984,550). The client bank accounts are held by way of Statutory Trust on behalf of the properties managed and are not available to the company.

12 Creditors: amounts falling due within one year

	2018 £	2017 £
Amounts owed to group undertakings	6,721,516	9,092,860
Other taxation and social security	355,651	342,703
	<u>7,077,167</u>	<u>9,435,563</u>

Amounts owed to Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

FIRSTPORT PROPERTY SERVICES NO 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

13 Provisions for liabilities

	2018 £	2017 £
Development related provisions	65,988	153,893

Movements on provisions:

	£
At 1 January 2018	153,893
Utilisation of provision	(87,905)
At 31 December 2018	65,988

The company manages a large number of residential property developments, which give rise to some disputes and claims by customers under the management contracts that govern them. These claims can take many years to emerge, so management considers it appropriate to recognise a provision. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

Whilst significant progress has been made in addressing these claims, and management continue to assess them on their merits, a provision of £65,988 has been recognised at the year end (2017: £153,893). This is expected to be fully utilised within the next financial year (2017: £40,000).

FIRSTPORT PROPERTY SERVICES NO 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

14 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is an analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Assets 2018 £	Assets 2017 £
Balances:		
Fixed asset timing differences	55,485	67,632
Tax losses	187,166	355,258
	<u>242,651</u>	<u>422,890</u>
		2018 £
Movements in the year:		
Asset at 1 January 2018		422,890
Charge to profit and loss		(180,239)
Asset at 31 December 2018		<u>242,651</u>

The company has an unrecognised deferred tax asset of £nil (2017: £nil).

The net deferred tax asset expected to be utilised in 2019 is £12,147 (2018: £nil). This primarily relates to the unwinding of timing differences and tax losses.

15 Called up share capital

	2018 £	2017 £
Ordinary share capital		
Issued and fully paid		
255,000 (2017: 255,000) shares of £1 each	<u>255,000</u>	<u>255,000</u>

16 Contingent liabilities

The company is party to a composite mortgage debenture secured over all of its assets in favour of the Royal Bank of Scotland. The borrower is Knight Square Limited, a fellow group company. The loan balance and deferred interest payable outstanding in the books of Knight Square Limited at the balance sheet date was £23,500,000 (2017: £28,000,000) and £33,308 (2017: £52,363) respectively.

From time to time, bank accounts maintained for developments under management are overdrawn. At 31 December 2018 this amount was £3,040 (2017: £140). The group has given unlimited guarantees on these amounts in the event of default.

FIRSTPORT PROPERTY SERVICES NO 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

17 Related party transactions

There are no transactions with related parties not wholly owned by the group headed by Knight Square Holdings Limited.

The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned by the group headed by Knight Square Holdings Limited.

18 Controlling party

The immediate parent undertaking is FirstPort Limited.

The ultimate parent undertaking and controlling party of the company is Knight Square Holdings Limited, a company registered in the United Kingdom under registration number 07925023 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, Crown Way, Maindy, Cardiff, CF4 3UZ.