

Company Registration No. 03229746 (England and Wales)

CARELINE UK MONITORING LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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CARELINE UK MONITORING LIMITED

COMPANY INFORMATION

Directors	C Atkey S Muncer	(Appointed 18 February 2015) (Appointed 1 June 2016)
Secretary	FirstPort Secretarial Limited	
Company number	03229746	
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	

CARELINE UK MONITORING LIMITED

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CARELINE UK MONITORING LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

Appello, of which Careline UK Monitoring Limited is a substantial part, is a technology-driven care-at-home services group, which includes telecare and telehealth monitoring and call services and field services such as fire sensor installation and maintenance, security and compliance. Our customers represent local authorities, housing associations, arm's-length management organisations, the third sector and property management companies. Appello is a division of Knight Square Holdings Limited.

Business Review

We operate the largest emergency monitoring centre in the UK with almost 200,000 connections responding to over 4 million calls a year. We handled an additional 0.4 million monitoring calls in 2015 and continue to answer emergency calls quicker than the guidelines set out by the industry regulator.

The business relies on the retention of key customers and development of new business for its future. Heavy reliance is therefore placed on assuring we continue to maintain our industry accreditations for the relevant British Standards and Telecare Services Association monitoring accreditation.

We have been investing in its digital and internet protocol ("IP") infrastructure to support housing providers make the shift from analogue care services to digital. Investments in IP interfaces to support protocols such as NOWIP and other European standards have been developed on our IP care platform.

To further amalgamate our position as one of the leading telecare service provider in the UK we will continue to grow through an acquisition strategy looking at suitable organisations in the fragmented remote care service marketplace. During 2015, we successfully acquired Call24, a TSA accredited telecare monitoring business based in Plymouth making us the largest provider in the South West region.

Operational Key Performance Indicators	2015	2014
Number of monitoring calls handled	4.8m	4.4m

Financial highlights

	2015	2014
Turnover (£'000)	6,680	6,678
Gross margin (%)	60.8%	63.1%
EBITDA* (£'000)	3,210	2,849

*EBITDA is defined as profit before interest, tax, depreciation and amortisation and excludes one off exceptional items as disclosed in Note 4 and the impairment of subsidiaries as disclosed in Note 5.

Financial performance

Turnover was in line with the prior year at £6.7m reflecting strong customer retention but limited new contract or client wins in what is a competitive market. Gross margin declined slightly to 61% from 63% although administrative expenses reduced to £1.0m (2014: £1.6m) resulting in EBITDA of £3.2m (2014: £2.8m). Exceptional costs of £0.3m (2014: £0.1m) represent costs incurred in relation to restructuring. During the year the directors wrote down the value of the company's investment in a subsidiary, Cirrus Communication Systems Limited, to better reflect the net assets of that company.

Future developments

During 2016/2017 we will continue to focus on maintaining high levels of customer service. We will continue to invest in digital and internet protocol ("IP") infrastructure to support housing providers make the shift from analogue care services to digital. We will continue through an acquisition strategy looking at suitable organisations in the fragmented remote care service marketplace.

Financial position

The company has increased shareholder's funds to £8.4m (2014: £6.9m) due to profitable trading performance during the year. Net current assets increased to £5.0m from £2.6m. Cash at bank and in hand increased to £0.7m at the end of 2015 (2014: £0.2m).

CARELINE UK MONITORING LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

Business Review (continued)

Transition to FRS102

This is the first year that the company has presented its financial statements under FRS102. The transition to FRS102 has had no effect on the profit and loss account, net assets or equity of the company.

Corporate Social Responsibility

The Knight Square group of companies ("Knight Square"), of which Careline UK Monitoring Limited is one, recognises the importance of the way in which its portfolio companies operate and understands that our business operations must be carried out with consideration for the safety and well-being of our people, customers, business partners and the local communities in which they exist and with whom they interact.

Health and Safety

Knight Square takes its obligations for safety at its office, operational, and development sites very seriously, along with the risks to staff travelling between locations. These obligations extend to staff, residents, visitors, contractors, and members of the public. The risk is mitigated by having a robust health and safety culture with a safety risk register, actions to eliminate or mitigate risks where possible, and monitoring and reporting of accidents and near misses.

We are committed to ensuring staff, customers, members of the public, and anyone who interacts with the Knight Square businesses remain safe and well. Safe working practices are a constant focus for all our teams and we invest in safety training.

Employees

The company's policy is to consult and discuss with employees, individually and collectively, on matters likely to affect employees' interests. Information on matters of concern to employees is given through news bulletins that seek to achieve a common awareness on the part of all employees, of all factors affecting the company's performance.

The company operates an active equal opportunities policy and we pride ourselves on our diverse workforce. Our success is a result of our employees working together with different competencies and skills, educational backgrounds, ethnicity, religious beliefs and physical abilities, and we judge performance without prejudice or discrimination.

The company's policy is to enable recruitment of disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled to enable them to perform work identified as appropriate.

Appello undertakes an annual employee engagement survey with an independent organisation. The business provides feedback results and action plans to employees and remains committed to making improvements as we grow. In 2015, 8 Appello Ambassadors were appointed to assist with improving communication within the business as we continue to expand.

The business operates mandatory training including nationally recognised qualifications for a range of topic areas from health and safety and management development to corporate compliance and I.T.

Appello has held IIP status continuously since September 2008 and in July 2015 the business achieved Bronze status as part of its continuous focus on learning and development.

Appello continues to forge stronger relationships with four colleges and Sixth forms across Hampshire and Dorset. CSR events include career workshops that support students with life skills such as interview technique and CV writing. In addition, Appello's HR team regularly completes bespoke presentations to support students with their business study units.

CARELINE UK MONITORING LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

Corporate Social Responsibility (continued)

Ethical standards and principles

Ethics and transparency are the cornerstones of our corporate principles. We have strong corporate policies and safeguards in place and a history of abiding by and promoting high ethical standards. All employees are responsible for adhering to the business practices that follow the letter and spirit of the law, as well as our Code of Conduct, that reflects the highest standards of corporate and individual behaviour.

Charity and community

We have a responsibility to positively affect the quality of life of our employees, their families and the communities in which we operate. We continue to support and encourage everyone who is involved with both local and national charities and welfare initiatives.

CARELINE UK MONITORING LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

Principal Risks & Uncertainties

Risk	Risk Description	Mitigation
Economic risks and changes in market dynamics	Failure to respond effectively to developments in the broader economy, competition and other market or fiscal dynamics	<ul style="list-style-type: none"> Resilient business model Significant experience and expertise in chosen markets Frequent review of competition Market insight and intelligence
Financial management	Failure to maintain appropriate financial controls throughout the business, including the management of credit risk, fraud risk and taxation	<ul style="list-style-type: none"> Experienced finance team Financial control environment Close monitoring of financial performance and credit risk by senior management Board oversight of financial performance
Systems dependence and business continuity	The risk associated with the delivery and future-proofing of our technology, including the potential impact of business interruption through systems and facilities	<ul style="list-style-type: none"> Investment in appropriate technology and staff IT governance structure IT resilience and disaster recovery plans designed to restore service Business continuity plan for each business operational office
Legal and regulatory compliance	The risk of failing to comply with relevant laws, regulations and standards	<ul style="list-style-type: none"> Employment of qualified advisors both internally and externally who report regularly to the Board about all significant legislative changes in the UK Development of internal policies and procedures to ensure adequate capture of legal and regulatory compliance issues Training programmes for staff
People risk	The risk that we fail to attract and retain high calibre employees in order to deliver on all aspects of our strategy	<ul style="list-style-type: none"> HR strategy encompassing recruitment, reward, retention, talent development and performance management Succession planning for middle and senior management
Data security and protection	The risk of the loss of customer or employee data	<ul style="list-style-type: none"> Information security policies encompassing data protection Investment in appropriate technology and staff IT governance structure
Health and safety ("H&S")	The risk of breaches of H&S legislation resulting in workplace injuries, environmental damage or physical damage to property leading to financial penalties, reputational damage and delays to site related activities	<ul style="list-style-type: none"> Robust H&S culture with safety risk register Monitoring and reporting of accidents and near misses Accredited H&S training with professional bodies
Contract bidding, mobilisation and management	The risk of failure to successfully bid, mobilise, operate and manage contracts leading to failure to win new and retain existing business	<ul style="list-style-type: none"> New contract assessment considering the business's core skills and our established supply chain Contract bidding process Delivery of high-quality customer service
Reputation	The risk of damage to brand name or reputation either through our people, our behaviours or third parties acting on our behalf	<ul style="list-style-type: none"> Delivery of quality customer service through adherence to industry standard SLAs Clear complaints processes Monitoring and responding to customer feedback

CARELINE UK MONITORING LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

Governance and risk management

The Board and management team

Careline UK Monitoring Limited has a board comprising of two directors and is ultimately owned and controlled by Knight Square Holdings Limited ("the Group"). The Group has policies in place that are applicable and adhered to by the company.

The company's board meets approximately ten times per annum. Health and safety performance, any accidents, and lessons from any near-miss events are reviewed and considered at Board meetings.

Internal Control and Risk Management

The Group's approach to internal audit is to agree a risk framework which is reviewed at Board meetings along with mitigating strategies and the latest status of the risks. KPMG provides internal audit support as required to plan and implement audit procedures to address those risk areas identified by the Board as part of its risk review. The Group also maintains and monitors a set of detailed policy documents across all areas of operations. Key areas in which such policies exist include health and safety, procurement, finance and governance (including competition and bribery).

External auditors

PricewaterhouseCoopers LLP act as external auditors of the company. The performance of the auditors is overseen by the Audit Committee of the Group.

Financial Risk Management

The company's operations expose it to a variety of financial risks that include the effects of credit, liquidity and cashflow risk. The company has in place robust controls that seek to limit the adverse effects in the financial performance of the company by monitoring potential financial risks to which the company is subject.

The company has a large base of UK residential customers which reduces the concentration of credit risk. Where we transact with corporate customers, credit control teams exist with strict processes being operated to manage and mitigate the risk of non-payment of charges.

The company is part of the Knight Square group's cash management and forecasting processes which are in place to manage cashflow and liquidity within the existing Group financing arrangements.

Approval of Strategic Report

This Annual Report comprises a strategic report for the company which has been drawn up and presented in accordance with, and in reliance upon, applicable English company law, in particular Chapter 4A of the Companies Act 2006, and the liabilities of the directors in connection with this report shall be subject to the limitations and restrictions provided by such law.

Approved by the Board of Directors and signed on behalf of the Board.



S Muncer
Director

9 December 2016

CARELINE UK MONITORING LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their annual report and audited financial statements for the year ended 31 December 2015.

Principal activities

The principal activity of the company is providing emergency alarm monitoring services within the UK. The company forms part of the Appello division of Knight Square Holdings Limited (the "Group").

Directors

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

J E Entwistle	(Resigned 19 February 2015)
S Willington	(Resigned 25 April 2016)
C Atkey	(Appointed 18 February 2015)
S Muncer	(Appointed 1 June 2016)

Results and dividends

The results for the year are set out in the profit and loss account on page 10.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend (2014: £nil).

Employees

Information on employees is included in the Strategic report on page 2.

Future developments

The future developments of the business are discussed in the Strategic report on page 1.

Financial risk management

Information on financial risk management is included in the Strategic report on page 5.

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.

CARELINE UK MONITORING LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" (FRS 102), 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:

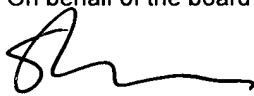
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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 of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors individually 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.

On behalf of the board



S Muncer

Director

9 December 2016

CARELINE UK MONITORING LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CARELINE UK MONITORING LIMITED

Report on the financial statements

Our opinion

In our opinion, Careline UK Monitoring Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 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.
-

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the balance sheet as at 31 December 2015;
- the profit and loss account and statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

CARELINE UK MONITORING LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CARELINE UK MONITORING LIMITED (CONTINUED)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



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

9 December 2016

CARELINE UK MONITORING LIMITED

PROFIT AND LOSS ACCOUNT AND STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

PROFIT AND LOSS ACCOUNT

	Note	2015 £	2014 £
Turnover	3	6,679,504	6,677,858
Cost of sales		(2,615,092)	(2,466,973)
Gross profit		4,064,412	4,210,885
Administrative expenses		(957,947)	(1,462,760)
Exceptional items	4	(316,752)	(117,069)
Impairment of investment in subsidiary		(1,285,028)	-
Operating profit	5	1,504,685	2,631,056
Interest receivable and similar income		6,652	8,450
Profit on ordinary activities before taxation		1,511,337	2,639,506
Tax on profit on ordinary activities	8	10,662	5,974
Profit for the financial year		1,521,999	2,645,480

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

STATEMENT OF COMPREHENSIVE INCOME

	2015 £	2014 £
Profit for the financial year	1,521,999	2,645,480
Other comprehensive income	-	-
Total comprehensive income for the year	1,521,999	2,645,480

CARELINE UK MONITORING LIMITED

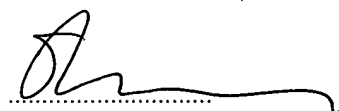
BALANCE SHEET

AS AT 31 DECEMBER 2015

	Note	2015 £	£	2014 £	£
Fixed assets					
Tangible assets	9	263,461		172,100	
Investments	10	3,223,170		4,189,077	
		<u>3,486,631</u>		<u>4,361,177</u>	
Current assets					
Inventories	11	64,015		39,796	
Debtors	12	7,765,950		5,807,515	
Cash at bank and in hand		651,819		202,046	
		<u>8,481,784</u>		<u>6,049,357</u>	
Creditors: amounts falling due within one year	13	(3,531,368)		(3,495,486)	
Net current assets		<u>4,950,416</u>		<u>2,553,871</u>	
Net assets		<u>8,437,047</u>		<u>6,915,048</u>	
Capital and reserves					
Called up share capital	16	1,250,001		1,250,001	
Profit and loss account		7,187,046		5,665,047	
Total equity - wholly attributable to the owners of the parent		<u>8,437,047</u>		<u>6,915,048</u>	

The notes on pages 13 to 27 are an integral part of these financial statements.

The financial statements on pages 10 to 27 were approved by the board of directors and authorised for issue on 7 December 2016 and are signed on its behalf by:



S Muncer
Director

Company Registration No. 03229746

CARELINE UK MONITORING LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Called up share capital £	Profit and loss account £	Total equity £
Balance at 1 January 2014	1,250,001	3,019,567	4,269,568
Year ended 31 December 2014:			
Total comprehensive income for the financial year	-	2,645,480	2,645,480
Balance at 31 December 2014	1,250,001	5,665,047	6,915,048
Year ended 31 December 2015:			
Total comprehensive income for the financial year	-	1,521,999	1,521,999
Balance at 31 December 2015	1,250,001	7,187,046	8,437,047

CARELINE UK MONITORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

General information

Careline UK Monitoring Limited is a limited company domiciled and incorporated in England and Wales. The registered office is Queensway House, 11 Queensway, New Milton, Hampshire, United Kingdom, BH25 5NR.

The company provides emergency alarm monitoring 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. The company has adopted FRS 102 for the first time in these financial statements.

1.3 Basis of preparation

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group financial statements as it is exempt from the requirement to do so by section 400 of the Companies Act 2006 as it is a wholly owned subsidiary of Knight Square Holdings Limited and its results are included in the consolidated financial statements of that entity.

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 large number of on-going monitoring 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.

CARELINE UK MONITORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

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) Monitoring and telecare services

Fees for emergency alarm monitoring services that supports a range of personal alarm and telecare products are recognised as the Group'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.

CARELINE UK MONITORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

1.8 Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received. An accrual is recognised at the balance sheet date for any material remaining obligations to employees.

(ii) Defined contribution pension plans

The company operates a defined contribution plans for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are payable in accordance with the rules of the scheme. Amounts due but not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

(iii) Annual bonus plan

The Group operates annual bonus plans for employees. An expense is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

CARELINE UK MONITORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

1.9 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 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.

CARELINE UK MONITORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

1.10 Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

Depreciation is calculated, using the straight-line method, to allocate the depreciable amount to their residual values over their estimated useful lives, as follows:

Leasehold buildings	Straight line over period of lease
Office fixtures and fittings	Straight line over 3 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the company and the cost can be measured reliably.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit and loss account and included in other operating income.

1.11 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.12 Leased assets

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Leases that do not transfer substantially all the risks and rewards of ownership are classified as operating leases. All of the company's arrangements are operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

CARELINE UK MONITORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

1.13 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.

1.14 Inventories

Inventories consist of consumables and raw materials used in maintenance services and monitoring products for resale which are stated at the lower of cost and estimated selling price less costs to sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is required the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.

1.15 Cash and cash equivalents

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

CARELINE UK MONITORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

1.16 Financial instruments

The company has elected to adopt Sections 11 and 12 of FRS 102 in respect of 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 payable 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.

1.17 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.

1.18 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.

CARELINE UK MONITORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

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 judgment.

(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) 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 the provision of emergency alarm monitoring services.

4 Exceptional items

	2015 £	2014 £
Restructuring costs	316,752	117,069

Exceptional charges relate to business review and improvement costs, legal fees and other costs including redundancy and other staff related costs associated with the restructuring of the Knight Square Holdings Limited group of companies.

CARELINE UK MONITORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

5 Operating profit

	2015 £	2014 £
Operating profit for the year is stated after charging / (crediting):		
Depreciation of tangible assets	103,355	101,003
Impairment of investment in subsidiary	1,285,028	-
Impairment of trade debtors	-	(23,066)
Operating lease charges	1,774	16,757

The cost of auditing these financial statements for the year was £5,000 (2014: £7,370). These costs have been borne by Knight Square Limited.

There were no non-audit costs in the year (2014: £nil).

During the year the directors wrote down the value of the company's investment in a subsidiary, Cirrus Communication Systems Limited, to better reflect the net assets of that company.

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2015 Number	2014 Number
Office and management	142	128

Their aggregate remuneration comprised:

	2015 £	2014 £
Wages and salaries	2,603,427	2,331,755
Social security costs	180,221	198,152
Other pension costs (note 15)	34,494	29,691
	2,818,142	2,559,598

7 Directors' remuneration

The directors are remunerated by Appello Limited and Knight Square Limited as their services to the company are merely incidental to their employment in other Knight Square group companies.

CARELINE UK MONITORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

8 Tax on profit on ordinary activities

	2015 £	2014 £
Current tax		
UK corporation tax on profits for the current period	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	(19,397)	(6,420)
Changes in tax rates	3,804	446
Adjustment in respect of prior periods	4,931	-
Total tax credit for the year	(10,662)	(5,974)

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

	2015 £	2014 £
Profit on ordinary activities before taxation	1,511,337	2,639,506
Expected tax charge based on a corporation tax rate of 20.25% (2014: 21.50%)	306,046	567,494
Non deductible expenses	1,105	1,265
Adjustments in respect of prior periods	4,931	-
Effect of change in tax rates and laws	3,804	265
Group relief	(457,814)	(254,748)
Transfer pricing	(128,952)	(320,250)
Impairment of investments	260,218	-
Total tax credit for the year	(10,662)	(5,974)

From 1 April 2015, the UK corporation tax rate reduced from 21% to 20%. In October 2015, the UK corporation tax rate for the financial year commencing 1 April 2017 was set at 19% and for the financial year commencing on 1 April 2020 was set at 18%. Deferred tax balances at 31 December 2015 were measured at 20% (2014: 20.25%) for items that are expected to be charged or credited to the profit and loss account in the next financial year.

CARELINE UK MONITORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

9 Tangible assets

	Leasehold buildings £	Office fixtures and fittings £	Total £
Cost			
At 1 January 2015	28,755	797,378	826,133
Additions	-	194,716	194,716
Disposals	-	(1,957)	(1,957)
At 31 December 2015	28,755	990,137	1,018,892
Depreciation and impairment			
At 1 January 2015	8,408	645,625	654,033
Depreciation charged in the year	2,870	100,485	103,355
Eliminated in respect of disposals	-	(1,957)	(1,957)
At 31 December 2015	11,278	744,153	755,431
Carrying amount			
At 31 December 2015	17,477	245,984	263,461
At 31 December 2014	20,347	151,753	172,100

10 Fixed asset investments

	2015 £	2014 £
Investments in subsidiaries (note 21)	3,223,170	4,189,077

CARELINE UK MONITORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

10 Fixed asset investments (Continued)

Movements in fixed asset investments

	Shares £
Cost	
At 1 January 2015	4,189,077
Additions	319,121
At 31 December 2015	4,508,198
Impairment	
At 31 December 2015	-
Impairment losses	1,285,028
At 31 December 2015	1,285,028
Carrying amount	
At 31 December 2015	3,223,170
At 31 December 2014	4,189,077

On 1 June 2015 the company acquired 100% of the share capital of Call24 Hour Limited, a monitoring business, for a purchase consideration of £319,121 (including fees) paid in cash.

During the year the directors wrote down the value of the company's investment in a subsidiary, Cirrus Communication Systems Limited, to better reflect the net assets of that company

11 Inventories

	2015 £	2014 £
Finished goods and goods for resale	64,015	39,796

There is no significant difference between the replacement cost of inventories and its carrying amount. Inventories is stated after provisions for impairment of £nil (2014: £nil).

12 Debtors

	2015 £	2014 £
Trade debtors	406,373	194,517
Deferred tax asset (note 14)	67,723	57,061
Amounts due from fellow group undertakings	7,149,392	5,455,978
Other debtors	4,338	3,117
Prepayments and accrued income	138,124	96,842
	7,765,950	5,807,515

CARELINE UK MONITORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

12 Debtors

(Continued)

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

13 Creditors: amounts falling due within one year

	2015 £	2014 £
Trade creditors	222,982	236,002
Amounts due to fellow group undertakings	1,998,919	2,060,279
Other taxation and social security	85,403	99,233
Other creditors	1,061	4,300
Accruals and deferred income	1,223,003	1,095,672
	<u>3,531,368</u>	<u>3,495,486</u>

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

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:

	Asset 2015 £	Asset 2014 £
Fixed asset timing differences	<u>67,723</u>	<u>57,061</u>

Movements in the year:	2015 £
Asset at 1 January 2015	57,061
Deferred tax charged to profit and loss	15,593
Adjustment in respect of prior years	(4,931)
Asset at 31 December 2015	<u>67,723</u>

The company has an unrecognised deferred tax asset of £nil (2014: £nil).

The net deferred tax asset expected to be utilised in 2016 is £67,723. This primarily relates to the unwinding of timing differences on capital allowances.

CARELINE UK MONITORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

15 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees.

The charge to profit and loss in respect of the defined contribution scheme was £34,494 (2014: £29,691).

16 Called up share capital

	2015 £	2014 £
Ordinary share capital		
Issued and fully paid		
1,250,001 (2014: 1,250,001) shares of £1 each	1,250,001	1,250,001

17 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 and deferred interest payable outstanding in the books of Knight Square Limited at the Balance Sheet date was £29,500,000 (2014: £33,315,000) and £94,485 (2014: £200,438) respectively.

CARELINE UK MONITORING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

18 Operating lease commitments

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2015 £	2014 £
Within one year	-	4,479

19 Controlling party

The immediate parent undertaking is Appello Limited.

The ultimate parent undertaking and controlling party of the company is Knight Square Holdings Limited, a company registered in England and Wales under registration number 07925023 which is the smallest and largest group for which group financials are prepared and are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

20 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.

21 Subsidiaries

Details of the company's subsidiaries at 31 December 2015 are as follows:

Name of undertaking and country of incorporation or residency	Nature of business	Class of shareholding	% Held	
			Direct	Indirect
Cirrus Communication Systems Limited	England & Wales No. 1444995	Maintenance and installation	Ordinary shares	100.00
Call24 Hour Limited	England & Wales No. 04252184	Monitoring services	Ordinary shares	100.00
Appello Telehealth Limited	England & Wales No. 4174104	Monitoring services	Ordinary shares	100.00

22 Transition to FRS 102

This is the first year that the company has presented its financial statements under FRS 102. The last financial statements under UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014.

The details of the basis of preparation, accounting policies applied and the qualifying exemptions utilised are included in note 1.

The transition to FRS 102 has had no effect on the profit and loss account, net assets or equity.