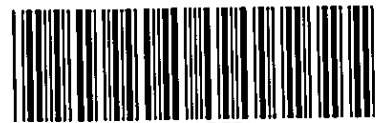


Company Registration No. 03829468 (England and Wales)

PEVEREL SCOTLAND LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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COMPANIES HOUSE

PEVEREL SCOTLAND LIMITED

COMPANY INFORMATION

Directors	P J Cummings K A Edgar (Appointed 28 June 2011) J E Entwistle (Appointed 16 May 2012)
Secretary	Peverel Secretarial Limited
Company number	03829468
Registered office	Queensway House 11 Queensway New Milton Hampshire United Kingdom BH25 5NR
Auditors	BDO LLP Arcadia House Maritime Walk Ocean Village Southampton SO14 3TL
Bankers	Bank of Scotland 2nd Floor Pentland House 8 Lochside Avenue Edinburgh EH12 9DJ

PEVEREL SCOTLAND LIMITED

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PEVEREL SCOTLAND LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their report and financial statements for the year ended 31 December 2011

Principal activities and review of the business

The principal activity of the company continued to be that of property management related services within the UK

The Peverel group of companies including Peverel Scotland Limited have experienced a period of uncertainty whilst the previous UK parent company, Aztec Opco Developments Limited was in administration

The directors believe that the future outlook of the company is positive following the Peverel group of companies, including Peverel Scotland Limited, being sold to Knight Square Limited on 06 March 2012 as detailed in note 20

Overview

Peverel Scotland Limited is a residential management company with over 10,400 properties in almost 200 developments

The company has had a good year at a trading level. Although turnover has increased, an operating loss has been incurred due to the exceptional items detailed in note 3

Excluding the exceptional items an operating profit was made and the underlying health of the business and current trading is in line with expectations

Financial Review

The following key performance indicators are used to measure the results of the company

Turnover has increased by 1.8%

Operating (loss)/profit has decreased by 163.5% due to an exceptional cost of an intercompany bad debt provision

Operating profit excluding exceptional items of £518,829 has increased by 73.3%

Properties under management have decreased by 0.3%

Risk Analysis

The lack of significant construction activity will continue to impact the growth opportunities for the company

Results and dividends

The results for the year are set out on page 5

Post balance sheet events

Note 21 provides information on post balance sheet events affecting the company

Future developments

The Peverel group still faces the legacy issues associated with the period of Administration. While Peverel has made some positive early steps towards addressing the challenges facing the group, there is still a significant amount of work ahead

Following the change in ownership of the group, steps have been taken to establish an on-going commitment to openness and transparency with its customers and stakeholders. Performance will be measured and reported so that progress towards improving customer service can be seen

Looking ahead, the Board of Peverel believes that Peverel Group is a fundamentally strong business and remains confident about its prospects over the medium to long term

PEVEREL SCOTLAND LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

Directors

The following directors have held office since 1 January 2011

P J Cummings	
K A Edgar	(Appointed 28 June 2012)
C A Wadlow	(Appointed 28 June 2012 and resigned 31 August 2012)
A Davey	(Appointed 28 June 2012 and resigned 2 May 2012)
L E Middleburgh	(Appointed 28 June 2012 and resigned 2 May 2012)
N G Bannister	(Resigned 31 March 2011)
D C Edwards	(Resigned 14 July 2011)
J E Entwistle	(Appointed 16 May 2012)

Auditors

In accordance with the company's articles, a resolution proposing that BDO LLP be reappointed as auditors of the company will be put at a General Meeting

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

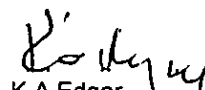
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors

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

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

On behalf of the board


K A Edgar
Director 24/7/12

PEVEREL SCOTLAND LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PEVEREL SCOTLAND LIMITED

We have audited the financial statements of Peverel Scotland Limited for the year ended 31 December 2011 set out on pages 5 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 1 - 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

PEVEREL SCOTLAND LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF PEVEREL SCOTLAND LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

BDO LLP

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

24/9/2012

Arcadia House
Maritime Walk
Ocean Village
Southampton
SO14 3TL

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

PEVEREL SCOTLAND LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 £	2010 £
Turnover	2	1,329,755	1,306,388
Administrative expenses		(950,005)	(1,087,203)
Exceptional Items		(518,829)	-
Administrative expenses		(1,468,834)	(1,087,203)
Operating (loss)/profit	3	(139,079)	219,185
Other interest receivable and similar income	4	1,867	452
Interest payable and similar charges	5	(985)	(794)
(Loss)/profit on ordinary activities before taxation		(138,197)	218,843
Tax on (loss)/profit on ordinary activities	6	919	(920)
(Loss)/profit for the year	14	(137,278)	217,923

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

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

PEVEREL SCOTLAND LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2011

	Notes	2011 £	£	2010 £	£
Fixed assets					
Tangible assets	8		2,297		3,875
Current assets					
Debtors	9	365,127		679,964	
Cash at bank and in hand		299,365		40,475	
		664,492		720,439	
Creditors: amounts falling due within one year	11	(288,258)		(200,384)	
Net current assets			376,234		520,055
Total assets less current liabilities			378,531		523,930
Provisions for liabilities	12		(83,775)		(91,896)
			294,756		432,034
Capital and reserves					
Called up share capital	13		1		1
Profit and loss account	14		294,755		432,033
Shareholders' funds	15		294,756		432,034

Approved by the Board and authorised for issue on

24/9/12


P J Cummings
Director

Company Registration No. 03829468

PEVEREL SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

1.2 Going concern

These financial statements have been prepared on the going concern basis

1.3 Cashflow

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

1.4 Compliance with accounting standards

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

1.5 Turnover

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

No developments under management are owned by any group companies

1.6 Tangible fixed assets and depreciation

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

Plant and machinery	evenly over five years
Computer equipment	evenly over three/five years

1.7 Leasing

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

1.8 Pensions

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

1.9 Deferred taxation

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

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

1.10 Provisions for Liabilities

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

PEVEREL SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

2 Turnover

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

3	Operating (loss)/profit	2011 £	2010 £
	Operating (loss)/profit is stated after charging		
	Depreciation of tangible assets	1,578	1,804
	Operating lease rentals		
	- Plant and machinery	34,021	29,299
	- Other assets	77,754	68,912
	Exceptional items	<u>518,829</u>	<u>-</u>

The exceptional items relate to an intercompany bad debt provision of £518,829 (2010 £nil)

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

4	Investment income	2011 £	2010 £
	Bank interest	<u>1,867</u>	<u>452</u>

5	Interest payable	2011 £	2010 £
	Other interest	<u>985</u>	<u>794</u>

PEVEREL SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

6	Taxation	2011	2010
		£	£
	Total current tax	-	-
	Deferred tax		
	Origination and reversal of timing differences	(1,213)	(1,065)
	Effects of changes in tax rates and laws	294	-
	Deferred tax adjustments arising in previous periods	-	1,985
	Total deferred tax	<u>(919)</u>	<u>920</u>
	Factors affecting the tax charge for the year		
	(Loss)/profit on ordinary activities before taxation	<u>(138,197)</u>	<u>218,843</u>
	(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 26% (2010 - 28%)	<u>(35,931)</u>	<u>61,276</u>
	Effects of		
	Non deductible expenses	111	339
	Fixed asset timing differences	193	505
	Group relief	(94,070)	(46,592)
	Provision against intra company loan	134,896	-
	Transfer pricing adjustments	(6,456)	(16,088)
	Rate change on deferred tax movement	237	-
	Other tax adjustments	1,020	560
		<u>35,931</u>	<u>(61,276)</u>
	Current tax charge for the year	<u>-</u>	<u>-</u>
7	Dividends	2011	2010
		£	£
	Ordinary final paid	<u>-</u>	<u>800,000</u>

PEVEREL SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

8 Tangible fixed assets

	Plant and machinery £
Cost	
At 1 January 2011 & at 31 December 2011	94,236
Depreciation	
At 1 January 2011	90,361
Charge for the year	1,578
At 31 December 2011	91,939
Net book value	
At 31 December 2011	2,297
At 31 December 2010	3,875

9 Debtors

	2011 £	2010 £
Trade debtors	7,211	45,077
Amounts owed by parent and fellow subsidiary undertakings	149,431	536,994
Other debtors	179,020	16,737
Prepayments and accrued income	22,121	74,731
Deferred tax asset (see note 12)	7,344	6,425
	<u>365,127</u>	<u>679,964</u>

10 Client monies

Residents' net cash balances held in trust accounts at 31 December 2011 was £3,052,145 (2010 £2,910,126) These balances are not reflected on the balance sheet

PEVEREL SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

11 Creditors, amounts falling due within one year	2011 £	2010 £
Trade creditors	21,096	19,096
Amounts owed to parent and fellow subsidiary undertakings	63,115	-
Taxes and social security costs	31,790	12,745
Other creditors	21,247	8,251
Accruals and deferred income	151,010	160,292
	<u>288,258</u>	<u>200,384</u>

Included within other creditors is an amount of £3,195 (2010 £nil) due to related parties

12 Provisions for liabilities	Other £
Balance at 1 January 2011	91,896
Profit and loss account	(8,121)
Balance at 31 December 2011	<u>83,775</u>

The company manages a large number of commercial and residential property developments. A small proportion of those developments are either in dispute over service charge debts or else have made claims against the company relating to the management of their development. This provision has been made for service charge bad debts or claims against the company.

The deferred tax asset (included in debtors, note 9) is made up as follows:

	2011 £	2010 £
Balance at 1 January 2011		(6,425)
Profit and loss account		(919)
Balance at 31 December 2011		<u>(7,344)</u>
	2011 £	2010 £
Decelerated capital allowances	(5,844)	(6,425)
Short term timing differences	(1,500)	-
	<u>(7,344)</u>	<u>(6,425)</u>

PEVEREL SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

13 Share capital	2011	2010
	£	£
Allotted, called up and fully paid		
1 Ordinary share of £1 each	<u>1</u>	<u>1</u>

14 Statement of movements on profit and loss account	Profit and loss account
	£
Balance at 1 January 2011	432,033
Loss for the year	<u>(137,278)</u>
Balance at 31 December 2011	<u>294,755</u>

15 Reconciliation of movements in shareholders' funds	2011	2010
	£	£
(Loss)/Profit for the financial year	(137,278)	217,923
Dividends	<u>-</u>	<u>(800,000)</u>
Net depletion in shareholders' funds	(137,278)	(582,077)
Opening shareholders' funds	<u>432,034</u>	<u>1,014,111</u>
Closing shareholders' funds	<u>294,756</u>	<u>432,034</u>

16 Contingent liabilities

At the balance sheet date the company was party to a composite debenture secured over all of its assets. The Borrower was Aztec Opco Developments Limited, the previous ultimate UK parent of Peverel Scotland Limited. The loan and deferred interest payable outstanding at the Balance Sheet date was £137,748,319 (2010 £131,375,729). See note 21 for the post balance sheet event relating to this debenture.

A number of bank accounts maintained for developments under management were overdrawn at 31 December 2011 amounting to £130,040 (2010 £172,221). The group has given unlimited guarantees on these amounts in the event of default.

PEVEREL SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

17 Financial commitments

At 31 December 2011 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2012

	Land and buildings		Other	
	2011	2010	2011	2010
	£	£	£	£
Operating leases which expire				
Within one year	-	11,500	12,980	4,512
Between two and five years	-	-	17,578	21,978
In over five years	31,005	-	-	-
	<u>31,005</u>	<u>11,500</u>	<u>30,558</u>	<u>26,490</u>

18 Directors emoluments

The directors were paid by either fellow subsidiary undertakings or related parties, of which they are also directors

19 Employees

Number of employees

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

	2011 Number	2010 Number
Office and Management	21	21
House Managers and Reliefs	91	97
	<u>112</u>	<u>118</u>

Employment costs

	2011 £	2010 £
Wages and salaries	520,953	546,605
Social security costs	56,157	55,234
Other pension costs	11,615	11,488
	<u>588,725</u>	<u>613,327</u>

The employment cost of house staff is not included in the above table as these costs are recharged at cost to the developments managed by the group and are not a direct cost to the company. These amounted to wages and salaries costs of £1,094,432 (2010: £1,064,743), social security cost of £67,340 (2010: £70,913) and other pension costs of £9,605 (2010: £9,531).

PEVEREL SCOTLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

20 Control

The parent company of this company is Peverel Management Services Limited. Peverel Management Services Limited is the smallest and largest group for which group financial statements are prepared and are available to the public and may be obtained from Companies House, Cardiff.

Up until the 14 March 2011 the UK parent undertaking was Aztec Opco Developments Limited, a company registered in England and Wales. At that time, the ultimate parent undertaking was Euro Investments Overseas Inc, a company registered in the British Virgin Islands with the ultimate controlling party being the Tchenguiz Family Trust.

On the 14 March 2011, Aztec Opco Developments Limited was placed into administration and the ultimate controlling party became Simon Appell, Alistair Beveridge and Anne O'Keefe each of Zolfo Cooper LLP.

Upon successful sale of the Peverel Group on 06 March 2012 by Zolfo Cooper LLP, the company's ultimate parent undertaking and controlling party is Knight Square Limited, a company registered in England and Wales under registration number 07925023.

21 Post balance sheet events

In relation to the Sale and Purchase Agreement and the Kingsborough Insurance Services Limited Sale and Purchase Agreement, Capita Trust Company Limited and Capita Asset Services (Ireland) Limited signed a Deed of Release on the 5 March 2012 with Peverel Group Limited (In Administration), Peverel Limited (In Administration), Kingsborough Insurance Services Limited, Sonata Insurance Services Limited and the Released Parties as defined in Schedule 1 of the said Deed of Release. The Composite Debenture charge which was created on the Opco group of companies on 30 November 2007 was released and satisfied under the said Deed of Release.

On 5 March 2012, Knight Midco Limited and its subsidiaries entered into a Multicurrency Term and Revolving facilities agreement with The Royal Bank of Scotland plc and National Westminster Bank plc.

On 06 March 2012 various assets and liabilities of Peverel Group Limited and Peverel Limited, including Peverel Scotland Limited, were sold to Knight Diamond Limited (subsequently renamed Peverel Services Limited).

22 Related party relationships and transactions

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

Interphone Limited, a company incorporated in England and Wales, is regarded as a related party due to it having a common ultimate parent undertaking.

During the year the company made purchases of £3,195 (2010: £nil) from Interphone Limited. At 31 December 2011 the balance due to Interphone Limited was £3,195 (2010: £nil).