

Company Registration No. 07925023 (England and Wales)

KNIGHT SQUARE LIMITED
GROUP REPORT AND FINANCIAL ACCOUNTS
FOR THE 10 MONTHS ENDED 31 DECEMBER 2012



KNIGHT SQUARE LIMITED

COMPANY INFORMATION

Directors	P J Lester	(Appointed 24 May 2012)
	J E Entwistle	(Appointed 4 March 2012)
	N J Martin	(Appointed 24 May 2012)
	A Cooper-Evans	(Appointed 5 March 2012)
	A J Fortescue	(Appointed 5 March 2012)
	A J Hartley	(Appointed 26 January 2012)
	J L D Crawford	(Appointed 26 January 2012)
	N Howell	(Appointed 29 April 2013)
Secretary	N J Hirst	
Company number	07925023	
Registered office	4 St Paul's Churchyard London EC4M 8AY	
Registered auditors	BDO LLP Arcadia House Maritime Walk Ocean Village Southampton SO14 3TL	
Bankers	Royal Bank of Scotland 12 High Street Southampton Hampshire SO14 2BF	

KNIGHT SQUARE LIMITED

Knight Square Limited is a newly incorporated company established for the purpose of acquiring the Peverel Group of companies, which it did on 5 March 2013. Its ultimate shareholders are two respected UK private equity houses, Chamonix Private Equity LLP and Electra Partners LLP.

Peverel Group is one of the UK's leading property management services businesses.

Starting in the retirement property sector 30 years ago, the Group now has three divisions – Peverel Retirement, Peverel Property Management and Peverel Building Technologies – along with Kingsborough, an insurance services business.

Headquartered in New Milton, Hampshire, Peverel also has offices in London, Luton, Birmingham, and Glasgow and employs more than 4,000 people. More than 3,000 of these staff work at the developments managed by the Group.

For further information visit www.peverel.co.uk

The Peverel Group of companies (as summarised in note 10 to the financial statements) is the only trading business within the Knight Square Group of companies and all references made through the reports that follow are made in respect of this trading group rather than referring to the name of the corporate parent company, Knight Square Limited.

KNIGHT SQUARE LIMITED

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KNIGHT SQUARE LIMITED

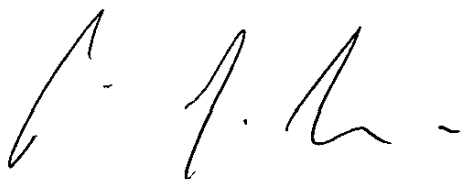
CHAIRMAN'S STATEMENT

FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

It is with great pleasure that I present Knight Square Group's first Annual Report and Accounts covering the ten months since the Company was launched under new ownership in March 2012

During the year we strengthened the management team of the Peverel businesses owned by Knight Square Limited by making a number of key appointments and, with the support of our shareholders, have successfully placed the group on a much firmer footing. This has ensured we are able to report solid results for the ten-month period, with operating profits of £4.5m and net cash inflow from operating activities of almost £10.0m, along with a strong balance sheet.

2012 has been a pivotal year for Peverel. We formed a new Group to acquire the Peverel businesses and made important progress in addressing some of the legacy issues. During 2013, there will be a major programme of transformation so that by the end of the year we will have a stronger business that consistently delivers improved customer service.



12/6/13

Paul Lester CBE
Chairman, Knight Square Group of companies

KNIGHT SQUARE LIMITED

CHIEF EXECUTIVE'S REVIEW

FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

When I became Chief Executive in March 2012 I made some firm commitments that Peverel would improve its customer focus and would conduct business in a more open and transparent way. These commitments are in the interests of all Peverel stakeholders – our customers, staff, and shareholders – and I am pleased to report we have made good progress. This work will continue throughout 2013.

The backing of our new owners has allowed us to invest in the business knowing it will drive benefits and rewards in the long term. The financial results show a solid performance in line with expectations. For the first ten-month trading period to the end of December 2012, the Group delivered operating profits of £4.5m on turnover of over £59m, even after charging exceptional costs of over £2.0m. The new Group has a sound capital structure, commencing with bank debt at a serviceable £25.0m and generating a net cash inflow from operating activities in the ten months of almost £10.0m. With a robust balance sheet and cash at bank of £8.7m, the Group is able to pursue its new strategy with confidence.

In our operations, we improved retention rates at both property divisions, with Peverel Property Management also seeing a significant reduction in the number of developments electing to manage themselves. We also developed and launched Peverel Group's first ever Customer Charter to ensure we focus more on customer service and openness. One particularly enjoyable aspect of this was my series of meetings with customers where I have been able personally to begin the process of strengthening these important relationships. The feedback I have received at these and other communications has helped to inform our plans.

Under the Customer Charter we set ourselves some demanding targets at group and individual company level, and we have made good progress. We have invested in improving the technology in our property businesses so our people can be more accessible and responsive to customers. We have improved the processes to handle customer queries, increased the opening hours of our property management businesses, and improved transparency on our fees. Each of our businesses now publishes the details of all their fees and charges on their website.

Clearly, implementing the Customer Charter is an ongoing process but the foundations are now in place to make sure we lead the industry. Our efforts to date illustrate how Peverel is resetting and rebuilding stakeholder relationships and improving the way it does business.

During the year we began recruiting experienced senior managers to help us deliver the new strategy, with many of these people joining during the first half of 2013. Our new Chief Financial Officer (Nigel Howell), MD of the Property division (Mark Hoyland), and our new Head of Legal and Company Secretary (Nigel Hirst) all bring with them a wealth of relevant experience and I am pleased to welcome them.

The significant levels of investment to improve service and efficiency as well as the strengthened management team ensure that Peverel has a powerful platform for growth. Our future plans include bringing together Peverel's property divisions to ensure the scale to deliver further service and efficiency benefits. Meanwhile, our existing position as a leading telecare provider combined with our new telehealth remote monitoring service, leaves Peverel Building Technologies well placed to grow further in this exciting sector.

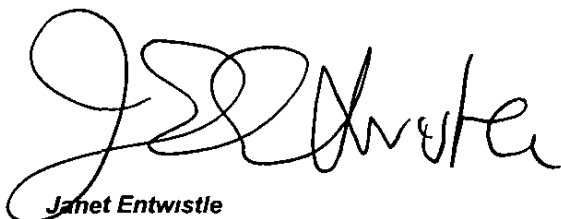
KNIGHT SQUARE LIMITED

CHIEF EXECUTIVE'S REVIEW (CONTINUED)

FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

The Group ends the year on a much firmer footing, with a significantly improved capital structure and the financial means to build a long-term sustainable business. A great deal of progress has also been made in improving our operational delivery. The result is a more focused, more dynamic, better-balanced Group with excellent prospects.

None of this could have been achieved without the hard work and commitment of everyone at Peverel and I would like to take this opportunity to thank all our staff, the Board and our shareholders for their continued support.



Janet Entwistle

Chief Executive Officer, Knight Square Group of companies

12 June 2013

KNIGHT SQUARE LIMITED

DIRECTORS' REPORT

FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

The directors present their report and group financial statements for the 10 months ended 31 December 2012

Principal activities and review of the business

The principal activity of the group is the provision of residential property management and related services within the UK, and that of the company, is investment management

Results and dividends

The consolidated profit and loss account for the 10 months is set out on page 17

It is proposed that the retained loss of £629,141 is transferred to the group's reserves

Business Review

Business Strategy

Over thirty years Peverel Group has grown to become the UK's largest residential property management business. Under new management and new ownership since March 2012, the Group has spent the past ten months reviewing and realigning the business to ensure its long-term profitability.

We are now embarked upon a clear strategy – to develop a stronger Peverel by improving customer focus, by being open and transparent in the way we do business, and by transforming our processes and services to better meet the needs of our customers.

The Group is well funded and this, combined with our customer focused strategy, will ensure we can grow profitably, whilst building successful relationships with our residential customers and corporate clients across our various markets.

KNIGHT SQUARE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

Performance

Peverel Retirement

Peverel Retirement is the leading UK retirement property management business, with nearly 70,000 individual homes across more than 1,500 developments. It includes Peverel Scotland, a residential management company with more than 10,000 individual homes in 190 developments.

This business continued the good performance of last year, with excellent retention rates of 99.04% in 2012 (2011: 98.85%).

Peverel Property Management

Peverel Property Management (PPM) is the largest residential property manager in the UK, with more than 120,000 properties under management across in excess of 2,200 developments.

Retention rates remain at good levels, up marginally, at 92.46% for 2012 (2011: 91.40%). We have seen a 50% reduction in the number of our residential customers electing to manage their own properties as we have addressed some of the legacy issues within this division. We are committed to improving our levels of customer service and delivering them consistently.

Peverel Building Technologies

Peverel Building Technologies (PBT) provides telecare services that deliver emergency monitoring for the residential and social housing markets, along with safety and security solutions for commercial and residential properties.

We have invested in developing telehealth services that enable remote monitoring of long-term health conditions. We have also made significant investments in our core delivery platform for both our telecare and telehealth businesses, improving responsiveness and scalability.

As a result of these efforts, PBT begins 2013 better positioned to take full advantage of the numerous commercial opportunities ahead.

KNIGHT SQUARE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

Stakeholders

Individual Customers

First and foremost, Peverel's service is judged by our many individual customers in their homes receiving our services in their homes. Improving their service delivery has been the top priority for the new management and we are pleased to record good progress. However, we know from what customers tell us that they want us to do more and to go further.

In all of our businesses – property, insurance, or technology – we have increased our customer focus and in 2013 we are investing in process change to better align how we operate to the outcomes our customers have said they want. Though fundamental change inevitably takes time to deliver, we will stay the course as it is the right thing to do for all of our various stakeholders, and gives us a platform for strong future growth.

Business Customers

In addition to residential customers, our diverse client base includes property developers, landlords, local authorities, housing associations and charities. We have invested time in further developing these key relationships and our intent is to become the business partner of choice to business customers as our customer improvement initiatives deliver improving service quality.

Customer Charter

In July, we completed an independent customer consultation to discover what mattered most to our customers. Our findings were incorporated into Peverel's first ever Customer Charter, which set out five promises. The feedback was also incorporated in our Service Improvement Programme and the main Peverel companies had each published their own Charters by the year-end.

The Charter is the backbone of our group strategy and puts the customer at the core of our thinking. A new Head of Customer Relations was appointed in October to oversee its implementation and by Christmas key milestones had been achieved. These include a new team to improve how we handle customer enquiries across all Peverel Group companies, as well as improved systems and training to record, monitor and ensure timely responses to any complaints, all part of our commitment to Excellent Customer Service.

Our promise to be Open and Transparent means that we now publish the details of our fees and charges on our website. We promise to Consult with You on budgets and work, and we have strengthened our Procurement team as part of our promise to ensure Value for Money. Following the redesign of the 'Contact Us' web page, 1,200 site visitors clicked through in the first few weeks, while extended opening hours and training for customer-facing staff helped us work towards our Easy to Deal With commitment. We are also simplifying how calls are dealt with in our Peverel Building Technology division.

Where we achieved our goals, we have instigated new ones. Where we have missed them we will work until they are achieved. Indeed, our commitment to improve service is ongoing and not only did we hold very successful customer forums when Peverel CEO Janet Entwistle met customers to discuss their experiences, we also drew up a programme of forums and open days for 2013, which has proved very popular.

Improving Industry Standards

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

KNIGHT SQUARE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

People

We are proud to have been reaffirmed by Investors in People in 2012, an achievement that recognises our strong emphasis on effective employee engagement and development

Our competitive salaries and benefits package along with our training programmes and reward scheme mean that we are able to attract and retain a talented and skilful body of staff. Staff retention rates improved, at 84.25% against 82.7% for 2011, and we increased our spending on staff training by nearly 10% to more than £900,000.

During 2012, we also strengthened our top management team with the appointment of Paul Lester as Chairman, and Janet Entwistle as Chief Executive Officer, as well as creating new key management roles to make Peverel a better and more efficient business.

Health and Safety

Our commitment to ensure that staff, customers, members of the public, and anyone who interacts with Peverel remain safe and well drives a constant focus on safe working practices across all parts of the group.

Peverel is committed to providing a safe working environment and the PBT division holds national certification to BS OHSAS 18001 Occupational Health and Safety under the monitoring of the British Safety Council. This internationally-recognised specification promotes a safe and healthy working environment through a framework that allows an organisation to consistently identify and control its health and safety risks.

We also invest in safety training across the group.

KNIGHT SQUARE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

Group Financial Review

This is the first reporting period for Knight Square Limited, the holding company of the new Knight Square Group of companies formed to take over the trade of most of the former group in Administration. The company commenced trading on 5th March 2012 and these accounts cover the ten-month period to the Group's year-end at 31st December 2012.

The company was not trading in the prior year so there are no comparative figures.

The Group is reporting solid performance with sound turnover and profit for the period, strong operating cash flow, and a sensibly funded Balance Sheet.

Consolidated Profit and Loss Account

The Group traded well for the ten-month period with a sound, largely recurring, revenue base and good operating profits before interest and tax.

Turnover for the ten-month period was £59,247,248. The Group is experiencing steady trading conditions in its core residential property management, insurance, and telecare/telehealth markets. Business retention in both property management divisions remained at levels well over 90%.

After total net expenses of £54,756,821, the Group showed an Operating Profit of £4,490,427 for the ten months. The Group incurred expenses associated with establishing the new holding company and pursuing its new strategy that we have chosen to show separately as Exceptional items of £2,079,662 to aid understanding. These costs including legal expenses associated with the acquisition of the Peverel businesses and costs to establish the Group on a stronger footing. Absent these items, the Group's operating profit would have risen to £6,570,089.

The Group is mainly funded by a mixture of bank and long-term investor debt and net interest of £4,950,181 was accrued, leaving Profit before Tax of £12,022.

A tax charge of £641,163 arose for the period and generated an after tax loss of £629,141 for the ten months. The high tax charge relative to profit reflects the interest cost of shareholder debt being unavailable as a charge against tax.

Balance Sheets

The Group has total assets less current liabilities of £64,482,184.

Intangible assets reflect the purchased accounting goodwill, whilst Tangible net assets comprise the Group's holding of House Manager Flats, giving total fixed assets of £62,647,132.

There are net current assets of £1,835,052. With low bank gearing, cash at bank of £8,739,007, and sufficient committed bank facilities, the Group has good liquidity to settle debts as they fall due. The much lower bank debt in the new Group has placed the business on a much firmer footing allowing us to pursue our longer-term business improvement strategy.

The creditors falling due after more than one year include £34,657,000 of shareholder loans in the business not due for repayment.

KNIGHT SQUARE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

Consolidated Cash Flow Statement

As the Group made a sound operating profit, and working capital was well managed in the period, the net cash inflow from operating activities for the period was a pleasing £9,974,732

The Group invested £2,198,577 in tangible assets, mainly IT and office equipment

Investor debt interest was not paid in cash during the period

There were a number of financing transactions associated with the acquisition and capital structuring of the new Group, but the strong operating cash inflow, after these funding transactions, still gave net cash generation for the ten months of £8,739,007

KNIGHT SQUARE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

Governance

Board

The Board and Management Team

Knight Square Group of companies is privately owned and has a board comprising of eight directors

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

Operation of the Board

The Board meets at least ten times each year to review the Group's strategy and performance. The executives of the Group are regularly invited to attend Board meetings where appropriate.

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

Committees of the Board

Audit Committee

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

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

Processes

Bid Approval

A Business Development function operates within each Peverel division and is responsible for completing all new business tenders.

All new contracts must contribute to Peverel's strategic and financial targets, which are measured primarily in terms of sustainable profit margin and cash generation. In addition, the risk profile of contracts must be acceptable. As such, all bids are reviewed and signed either by the Board and/or executive as appropriate prior to submission.

As part of Peverel's commitment to high standards of Business Practice and fair competition, including compliance with the Bribery Act 2010, all managers with client contact, senior or otherwise, attend a competition compliance and Bribery Act training seminar. Each attendee must sign an undertaking to confirm receipt of the training and that they will, in all matters relating to their conduct as a Peverel employee, compete fairly and within the policy.

KNIGHT SQUARE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

Expenditure Approval

An approved Scheme of Delegation identifies those in the business with authority to approve expenditure. Systems exist and are monitored to ensure compliance with this structure. High-cost items and projects are subject to further investment appraisal and sign-off requirements.

Cash and cash management

Knight Square Group uses RBS Group/National Westminster Bank plc ('NatWest') as its preferred banking partner and has committed banking facilities in place. Cash forecasts are completed and reviewed on both a weekly and monthly basis.

Peveler also holds cash in trust on behalf of the developments that it manages for customers. These monies are held in separate NatWest bank accounts, are unavailable to Peveler, and are solely for funding each development. These bank accounts are reconciled each month.

We follow both legislative requirements and industry codes of practice as they apply to the management of development bank accounts and the holding of customers' money.

Risk Management

Internal control and risk management

A formal risk register is completed and is reviewed at Board meetings along with mitigating strategies and the latest status of the risks. 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 Audit

The external audit function is operated by BDO LLP with the completion of year-end audits for all legal entities within the Knight Square Group. BDO reports to the audit committee and gives an audit opinion on each set of statutory accounts.

Financial Risk Management

Peveler's operations expose it to a variety of financial risks that include the effects of credit risk, liquidity risk and interest rate risk. Peveler has in place robust controls that seek to limit the adverse effects in the financial performance of the Group by monitoring potential financial risks to which the Group is subject. The Group is exposed to interest rate risk and has hedging in place to mitigate the majority of this risk. Given the size of the Group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. Financial risk management is monitored by the Board of Directors and the policies set by the Board of Directors are implemented by the Group's treasury function. The department has procedures in place that manage both interest rate and credit risk.

Credit Risk

Peveler has a large base of UK residential and commercial customers. Credit control processes are operated to manage and mitigate the risk of non-payment of charges.

KNIGHT SQUARE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

Liquidity Risk

The capital structure of Peverel ensures operations are generally financed through cash generated from operations. The Group has an appropriate level of borrowings and maintains a regular dialogue with lenders on future prospects and any funding needs.

Principal Risks and Uncertainties

Health and Safety

Peverel 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.

Contract Retention

In common with other service businesses Peverel is at risk from losing contracts. This risk is mitigated by seeking to deliver high-quality customer service and by maintaining a regular dialogue with individual and business customers. When assessing potential new contracts, we consider whether they fit with Peverel's core skills and our established supply chain.

Systems Dependence and Business Continuity

The Group uses IT and management processes to manage service delivery to developments, to support our technology division operations, and to manage the Corporate entities. A significant IT or other system failure would be disruptive. The Group mitigates this risk through IT resilience and disaster recovery plans designed to restore service and a business continuity plan for each business operational office.

Legal Compliance

Knight Square Group operates within the UK and is as such subject to the legal and compliance regime. To guard against a failure to comply with legislation Peverel employs qualified advisors both internally and externally and holds regular reporting to the Board of all significant legislative changes in the UK.

Reputation

The Peverel reputation remains important for business development. Peverel has a Code of Business Conduct for all staff to adhere to and demands high standards of professionalism when engaging with all stakeholders.

Pensions

The Knight Square Group contributes to a defined contribution pension scheme.

KNIGHT SQUARE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

Directors

The following directors have held office since 26 January 2012

P J Lester	(Appointed 24 May 2012)
J E Entwistle	(Appointed 4 March 2012)
M Turner	(Appointed 24 May 2012 and resigned 26 September 2012)
N J Martin	(Appointed 24 May 2012)
A Cooper-Evans	(Appointed 5 March 2012)
A J Fortescue	(Appointed 5 March 2012)
A J Hartley	(Appointed 26 January 2012)
J L D Crawford	(Appointed 26 January 2012)
N Howell	(Appointed 29 April 2013)

Directors' insurance

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

Employee involvement

The group's policy is to consult and discuss with employees, staff councils and at meetings, matters likely to affect employees' interests

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance

Disabled persons

The group'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 so as 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 to their aptitudes and abilities.

Creditor payment policy

The company's current policy concerning the payment of trade creditors is to

- settle the terms of payment with suppliers when agreeing the terms of each transaction,
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts, and
- pay in accordance with the company's contractual and other legal obligations

Auditors

BDO LLP were appointed auditors to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting

KNIGHT SQUARE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

Statement of directors' responsibilities

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

Company law requires the directors to prepare group financial statements for each financial year. Under that law the directors have elected to prepare the group 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 group 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 group and of the profit or loss of the group for that period. In preparing these group 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 group financial statements,
- prepare the group financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business

The directors are responsible for 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 the group and enable them to ensure that the group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group 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 group'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 group's auditors are aware of that information.

On behalf of the board



N Howell

Director

12 June 2013

KNIGHT SQUARE LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KNIGHT SQUARE LIMITED

We have audited the group and parent company group financial statements (the "financial statements") of Knight Square Limited for the 10 months ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the group 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 group 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on group financial statements

In our opinion the group financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2012 and of the group's loss for the 10 months 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 10 months for which the group financial statements are prepared is consistent with the group financial statements.

KNIGHT SQUARE LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE MEMBERS OF KNIGHT SQUARE 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company group 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



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

14 June, 2013

Arcadia House
Maritime Walk
Ocean Village
Southampton
SO14 3TL

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

KNIGHT SQUARE LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

	Notes	10 Months ended 31 December 2012 £
Turnover	2	59,247,248
Cost of sales		(9,226,328)
Gross profit		50,020,920
Administrative expenses	(43,604,516)	
Exceptional items	(2,079,662)	
Total administrative expenses		(45,684,178)
Other operating income		153,685
Operating Profit	3	4,490,427
Profit on sale of investment property		471,776
Profit on ordinary activities before interest		4,962,203
Other interest receivable and similar income		40,049
Interest payable and similar charges	4	(4,990,230)
Profit on ordinary activities before taxation		12,022
Tax on profit on ordinary activities	5	(641,163)
Loss on ordinary activities after taxation		(629,141)

The profit and loss account has been prepared on the basis that all operations are continuing operations which were acquired in the period

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

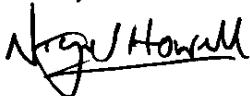
KNIGHT SQUARE LIMITED

BALANCE SHEETS

AS AT 31 DECEMBER 2012

	Notes	Group 2012 £	Company 2012
Fixed assets			
Intangible assets	7	35,354,740	-
Tangible assets	8 & 9	27,292,392	-
Investments	10	-	960,000
		<u>62,647,132</u>	<u>960,000</u>
Current assets			
Stocks	11	1,661,907	-
Debtors	12	10,373,605	-
Properties for resale	13	1,625,375	-
Cash at bank and in hand		8,739,007	52,001
		<u>22,399,894</u>	<u>52,001</u>
Creditors: amounts falling due within one year	16	(20,564,842)	(42,001)
		<u>1,835,052</u>	<u>10,000</u>
Net current assets			
		<u>64,482,184</u>	<u>970,000</u>
Total assets less current liabilities			
		<u>55,700,395</u>	-
Creditors: amounts falling due after more than one year	17		
		8,440,930	-
Provisions for liabilities	19		
Capital and reserves			
Called up share capital	21	970,000	970,000
Profit and loss account	22	(629,141)	-
		<u>340,859</u>	<u>970,000</u>
Shareholders' funds	23	64,482,184	970,000

Approved by the Board and authorised for issue on 12 June 2013



N Howell
Director

Company Registration No 07925023

KNIGHT SQUARE LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

	10 Months ended 31 December 2012 £
Net cash inflow from operating activities	9,974,732
Returns on investments and servicing of finance	
Interest received	40,049
Interest paid	(950,246)
Loan issue costs paid	(2,151,812)
Net cash outflow for returns on investments and servicing of finance	(3,062,009)
Capital expenditure	
Payments to acquire tangible assets	(2,198,577)
Receipts from sales of investment properties	1,274,621
Net cash outflow for capital expenditure	(923,956)
Acquisitions and disposals	
Purchase of subsidiary undertakings	(34,717,598)
Cash acquired with subsidiary undertakings	2,989,122
Net cash outflow from acquisitions and disposals	(31,728,476)
Net cash outflow before financing	(25,739,709)
Financing	
Issue of ordinary share capital	970,000
Bank loan advanced	25,000,000
Bank loans repaid	(750,000)
Shareholder loans advanced	34,657,000
Other loans repaid	(25,398,284)
Net cash inflow from financing	34,478,716
Increase in cash in the period	8,739,007

KNIGHT SQUARE LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

1	Reconciliation of operating profit to net cash from operating activities	2012
		£
	Operating profit	4,490,427
	Depreciation of tangible assets	2,037,424
	Amortisation of intangible assets	1,537,162
	Profit on disposal of tangible assets	(100)
	Decrease in stocks	736,742
	Decrease in debtors	3,068,777
	Decrease in creditors within one year	(1,895,700)
	Net cash inflow from operating activities	9,974,732

2	Analysis of net debt	Cash flow	Interest	Acquisition	Loan issue costs	31 December 2012
		£	£	£	£	£
	Cash at bank and in hand	8,739,007	-	-	-	8,739,007
	Bank loans	(24,250,000)	-	-	1,773,987	(22,476,013)
	Shareholder loans	(34,657,000)	(3,665,286)	-	-	(38,322,286)
	Other loans	25,398,284	-	(25,398,284)	-	-
		(33,508,716)	(3,665,286)	(25,398,284)	1,773,987	(60,798,299)
	Net debt	(24,769,709)	(3,665,286)	(25,398,284)	1,773,987	(52,059,292)

3	Reconciliation of net cash flow to movement in net debt	2012
		£
	Increase in cash in period	8,739,007
	Cash inflow from increase in loans	(58,907,000)
	Change in net debt resulting from cash flows	(50,167,993)
	Other non-cash changes	(1,891,299)
	Closing net debt	(52,059,292)

KNIGHT SQUARE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

1 Accounting policies

1.1 Accounting convention

The group financial statements are prepared under the historical cost convention

1.2 Compliance with accounting standards

The group financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2012. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

1.4 Turnover and profits

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.5 Goodwill

Positive goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

1.6 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land 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:

Land and buildings Freehold	evenly over 50 years
Land and buildings Leasehold	evenly over the period of the lease
Office equipment, fixtures & fittings	evenly over 5 years
Computer equipment	evenly over 3 years

In accordance with Statement of Standard Accounting Practice No 19 (as amended)

- Investment properties are included in the balance sheet at their open market value. Changes in the market value of investment properties are taken to the revaluation reserve. Any permanent diminution is taken to the profit and loss account for the year, and

- No depreciation or amortisation is provided in respect of leasehold investment properties with over 20 years to run.

This treatment, as regards the company's investment properties, is a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is, therefore, necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount that might otherwise have been shown cannot be separately identified or quantified.

Investment properties held are leasehold apartments and the carrying value of the portfolio is assessed annually by a director and at least once every five years by an external valuer.

KNIGHT SQUARE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

1 Accounting policies (Continued)

1.7 Leasing

Assets acquired under hire purchase agreements and finance leases are capitalised in the balance sheet and are depreciated in accordance with the group's normal policies. The outstanding liabilities under such agreements, less interest not yet due, are included in creditors. Interest on such agreements is charged to the profit and loss account over the term of each agreement and represents a constant proportion of the balance of capital repayments outstanding.

Rentals received or paid under operating leases are credited or charged to profit on a straight-line basis over the lease term.

1.8 Investments

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

1.9 Stock

Stock consists of maintenance equipment held for resale and is stated at the lower of cost and net realisable value. The cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale - purchase cost on a FIFO basis.

Work in progress and finished goods - cost of direct materials and labour plus attributable overheads based on a normal level of activity.

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

1.10 Long term contracts

Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sales value of the work done after provision for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

1.11 Pensions

The group operates a defined contribution pension scheme for its employees to which the group makes a contribution under specified circumstances. The scheme is administered on behalf of employees by an independent insurance company in funds separate from the group's finances. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

1.12 Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the exception that 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.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

KNIGHT SQUARE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

1 Accounting policies (Continued)

1.13 Debt issue costs

Finance costs are charged to profit over the term of the debt so that the amount charged is at a constant rate on the carrying amount. Finance costs include issue costs, which are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.14 Provisions for Liabilities

Provisions are recognised when the group has a present obligation as a result of a past event and it is probable that the group 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.

2 Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the group's ordinary activities, stated net of value added tax and trade discounts.

No segmental analysis of turnover or profit before taxation has been provided, as in the opinion of the directors provision of such information would be seriously prejudicial to the business of the group.

All activities are carried out wholly in the United Kingdom.

KNIGHT SQUARE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

3	Operating profit	2012
		£
	Operating profit is stated after charging.	
	Amortisation of intangible assets	1,537,162
	Depreciation of tangible assets	2,037,424
	Operating lease rentals	
	- Motor vehicles, Plant and machinery	1,530,657
	- Other assets	1,146,530
	Exceptional items	2,079,662
	and after crediting	
	Rents receivable	49,680
	Profit on disposal of tangible assets	100

Exceptional items include £1,590,100 for business review costs including launching a new customer charter, process improvements to improve service delivery and costs of restructuring the management team. In addition to this there is £489,562 for legal fees.

Auditors' remuneration

Fees payable to the group's auditor for the audit of the group's annual accounts

Fees for audit services	98,000
Taxation compliance services	45,850
Taxation advisory services	20,155
Other services	4,750
	<hr/>
	168,755

4	Interest payable	2012
		£
	On bank loans and overdrafts	947,119
	On shareholder loans	3,665,286
	Loan fee amortisation	377,825
		<hr/>
		4,990,230

KNIGHT SQUARE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

5	Taxation	2012
		£
	Domestic current year tax	
	U K corporation tax	1,598,341
	Total current tax	1,598,341
	Deferred tax	
	Origination and reversal of timing differences	(1,102,591)
	Effects of changes in tax rates and laws	145,413
		(957,178)
		641,163
	Factors affecting the tax charge for the 10 months	
	Profit on ordinary activities before taxation	12,022
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 24.5%	2,945
	Effects of	
	Non deductible expenses	1,384,384
	Fixed assets timing differences	60,562
	Recognition of tax losses previously unprovided	(224,380)
	Chargeable disposals	185,964
	Other tax adjustments	188,866
		1,595,396
	Current tax charge for the period	1,598,341

The group has losses available to carry forward against future trading profits of approximately £17.8m

6 Result for the financial Period

As permitted by section 408 Companies Act 2006, the holding company's profit and loss account has not been included in these financial statements. The result for the financial 10 months is made up as follows

	2012
	£
Holding company's result for the financial 10 months	-

KNIGHT SQUARE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

7 Intangible fixed assets Group

	Goodwill £
Cost	
At 26 January 2012	-
Additions (see note 10)	36,891,902
At 31 December 2012	36,891,902
Amortisation	
At 26 January 2012	-
Charge for the 10 months	1,537,162
At 31 December 2012	1,537,162
Net book value	
At 31 December 2012	35,354,740

8 Tangible fixed assets Group

	Land and buildings Freehold £	Land and buildings Leasehold £	Office equipment, fixtures & fittings £	Total £
Cost				
Acquired with subsidiary undertakings	8,193	355,778	12,086,677	12,450,648
Additions	-	-	2,198,577	2,198,577
Disposals	-	-	(9,250)	(9,250)
At 31 December 2012	8,193	355,778	14,276,004	14,639,975
Depreciation				
Acquired with subsidiary undertakings	1,277	228,731	7,291,183	7,521,191
On disposals	-	-	(9,250)	(9,250)
Charge for the 10 months	164	30,920	2,006,340	2,037,424
At 31 December 2012	1,441	259,651	9,288,273	9,549,365
Net book value				
At 31 December 2012	6,752	96,127	4,987,731	5,090,610

KNIGHT SQUARE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

9	Tangible fixed assets	
	Investment properties	Group £
	Cost	
	Acquired with subsidiary undertakings	24,629,902
	Reclassified as current asset investments	(1,625,375)
	Disposals	(802,745)
		<hr/>
	At 31 December 2012	22,201,782
		<hr/>
	Depreciation	
	At 26 January 2012 & at 31 December 2012	-
		<hr/>
	Net book value	
	At 31 December 2012	22,201,782
		<hr/> <hr/>

Investment properties held are leasehold apartments. At the year end the carrying value of the leasehold apartments portfolio was re-assessed by a director whose opinion was that the market value is not materially different from the carrying value.

KNIGHT SQUARE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

10 Fixed asset investments

Company

	Shares in group undertakings £
Cost	
At 26 January 2012	-
Additions	960,000
	<hr/>
At 31 December 2012	960,000
	<hr/>
Net book value	
At 31 December 2012	960,000
	<hr/> <hr/>

The company holds the entire ordinary issued share capital of the following trading companies, all of which are registered in England and Wales. Dormant and non-trading companies have not been detailed.

Company	Registration number	Principal activity
Subsidiary undertakings		
Knight Midco Limited	7927619	Holding company
Acquired 5 March 2012		
Appello Telehealth Limited	4174104	Monitoring services
Careline UK Monitoring Limited	3229746	Monitoring services
Cirrus Communication Systems Limited	1444995	Maintenance and installation services
Kingsborough Insurance Services Limited	3479579	Insurance services
Maclaren Management Services Limited	2142118	Investment company
OM Property Management Limited	2061041	Property management
OM Property Management No 2 Limited	2231168	Property management
Pemberton Residential Limited	1623496	Property management
Peverel Building Technologies Limited	6324769	Provision of shared services
Peverel HMF Limited	6776392	Investment property ownership
Peverel Management Services Limited	1614866	Property management
Peverel Operations PD Limited	6277828	Investment property ownership
Peverel Property Management Limited	4352396	Provision of shared services
Peverel Scotland Limited	3829468	Property management
Peverel Services Limited	7925019	Provision of shared services
R C Housing Association Limited	IP28150R	Property management
Retirement Care Group Ltd	2195300	Investment property ownership
Retirement Homesearch Limited	3829469	Specialist estate agent
Sonata Insurance Services Limited	6704179	Insurance services

KNIGHT SQUARE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

10 Fixed asset investments (Continued)

On 5 March 2012 Peverel Services Limited purchased 100% of the share capital of those companies noted above at a cost of £34,717,598 from PL Realisations 2012 Limited. Also, included within this were certain assets and liabilities acquired from PL Realisations 2012 Limited, as follows

	Book value	Fair value adjustment	Fair value
	£	£	£
Tangible assets	29,559,359	-	29,559,359
Stock	2,398,649	-	2,398,649
Deferred tax asset	1,272,519	-	1,272,519
Debtors	11,212,685	-	11,212,685
Cash	2,989,122	-	2,989,122
Corporation tax liability	(228,216)	-	(228,216)
Creditors and other liabilities	(15,539,208)	-	(15,539,208)
Other loans	(25,398,284)	-	(25,398,284)
Provisions	(3,990,930)	(4,450,000)	(8,440,930)
	<u>2,275,696</u>	<u>(4,450,000)</u>	<u>(2,174,304)</u>
Goodwill			<u>36,891,902</u>
			<u>34,717,598</u>
Satisfied by			
Cash			30,397,891
Acquisition costs			<u>4,319,707</u>
			<u>34,717,598</u>

11 Stocks

	Group 2012 £	Company 2012 £
Raw materials and consumables	1,028,043	-
Long term contract balances		
- Net cost less foreseeable losses	608,178	-
Finished goods and goods for resale	25,686	-
	<u>1,661,907</u>	<u>-</u>

KNIGHT SQUARE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

12 Debtors

	Group 2012 £	Company 2012 £
Trade debtors	3,743,331	-
Other debtors	2,036,721	-
Prepayments and accrued income	2,363,856	-
Deferred tax asset (see note 19)	2,229,697	-
	<u>10,373,605</u>	<u>-</u>

13 Current asset investments

	Group 2012 £	Company 2012 £
Investment properties held for resale	<u>1,625,375</u>	<u>-</u>

14 Client Money

Residents' net cash balances held in trust accounts at 31 December 2012 was £203,357,809 Cash balances held in Joint accounts at 31 December 2012 was £6,061,903

These balances are not reflected on the balance sheet as they are held in trust on behalf of the properties managed and are not available to the group

15 Cash at bank and in hand

Ring-fenced balances of £3,047,563 are included in the Balance Sheet which comprise £2,056,580 to cover overdrawn bank accounts for developments managed by the group and £990,983 held in a mandatory prepayment account to be applied against the group's bank borrowings

KNIGHT SQUARE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

16 Creditors amounts falling due within one year

	Group 2012 £	Company 2012 £
Bank loans and overdrafts	5,097,904	-
Trade creditors	3,746,771	-
Amounts owed to group undertakings	-	42,001
Corporation tax	1,826,558	-
Taxes and social security costs	2,290,810	-
Other creditors	500,195	-
Accruals and deferred income	7,102,604	-
	<u>20,564,842</u>	<u>42,001</u>

KNIGHT SQUARE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

17 Creditors amounts falling due after more than one year

	Group 2012 £	Company 2012 £
Bank loans	17,378,109	-
Shareholder loans	34,657,000	-
Interest on shareholder loans	3,665,286	-
	<u>55,700,395</u>	<u>-</u>
Analysis of loans		
Not wholly repayable within five years	38,322,286	-
Wholly repayable within five years	22,476,013	-
	<u>60,798,299</u>	<u>-</u>
Included in current liabilities (see note 16)	(5,097,904)	-
	<u>55,700,395</u>	<u>-</u>

Offset against bank loans wholly repayable within five years is an amount of £1,773,987 for loan issue costs which is amortised over the period of the loan

Loan maturity analysis

In more than two years but not more than five years	17,378,109	-
In more than five years	38,322,286	-
	<u>55,700,395</u>	<u>-</u>

Loans Comprise

Bank Loans are payable to the Royal Bank of Scotland and are split between Facilities A and B equating to £15,250,000 and £9,000,000 respectively. The loans are repayable in scheduled instalments with the final redemption of the Facility A loan due on 31 December 2016 and the Facility B loan due on 31 December 2017. Interest is payable quarterly on the outstanding balance at the rate of 3.5% above 3 month LIBOR on the Facility A and 4% above 3 month LIBOR on the Facility B. The loan is secured by a first fixed and floating charge over the properties and other assets of subsidiary undertakings.

Shareholder loans comprise £34,657,000 which is split into £21,846,154 of Senior Loan notes and £12,810,846 of Junior Loan notes. Some of these are due to related parties and are detailed in note 29 (Related Parties). Interest is payable on the outstanding balance at a rate of 15% per annum on the Senior Loans and 9% on the Junior Loans.

KNIGHT SQUARE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

18 Derivative Financial Instruments

The group's approach to managing financial risk is outlined in the directors' report

The nature of the derivatives used by the group and their value at the balance sheet date are as follows

Interest Hedge

As noted above, the group has a £24.25m term loan with interest payable based on 3-month LIBOR plus a margin. The group has hedged 66.6% of this loan against the movement in 3-month LIBOR. Of the hedged value 50% is by way of a swap with a fixed rate of 1.83% above 3-month LIBOR and the remainder by way of a cap at 1.83% above 3-month LIBOR.

The market value of this interest hedge at 31 December 2012 was £(110,939).

Borrowing facilities

There are no undrawn committed borrowing facilities at 31 December 2012.

Currency risk

The group is not exposed to currency risk as all operations are carried out wholly within the UK and there are no significant dealings with foreign suppliers.

19 Provisions for liabilities

	Dilapidations	Claims arising from developments	Total
	£	£	£
Balance acquired with subsidiary undertakings	450,000	7,990,930	8,440,930
Balance at 31 December 2012	450,000	7,990,930	8,440,930

The group manages a large number of commercial and residential property developments. There are a number of issues within this significant portfolio which have given rise to a number of disputes and claims under the management contracts that govern them. Management defend these claims vigorously and they can take many years to resolve, but have recognised the need for a provision of £7,990,930.

In addition to this a provision of £450,000 has been made for dilapidations relating to the head office buildings in New Milton, Hampshire.

KNIGHT SQUARE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

19 Provisions for liabilities (Continued)

The deferred tax asset (included in debtors, note 12) is made up as follows

	Group 2012 £	Company 2012 £
Balance acquired with subsidiary undertakings	(1,272,519)	-
Profit and loss account	(957,178)	-
Balance at 31 December 2012	<u>(2,229,697)</u>	<u>-</u>
	Group 2012 £	Company 2012 £
Decelerated capital allowances	(1,043,119)	-
Trading losses	(1,184,333)	-
Other timing differences	(2,245)	-
	<u>(2,229,697)</u>	<u>-</u>

The group has an unrecognised deferred tax asset of approximately £2,900,000 for losses carried forward

20 Pension and other post-retirement benefit commitments

Defined contribution

	2012 £
Contributions payable by the group for the 10 months	<u>519,616</u>

Pension contributions outstanding at the year end amounted to £138,842

KNIGHT SQUARE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

21	Share capital	2012
		£
	Allotted, called up and fully paid	
	741,433 Ordinary A shares of £1 each	741,433
	183,567 Ordinary B shares of £1 each	183,567
	35,000 Ordinary C shares of £1 each	35,000
	10,000 Ordinary G shares of £1 each	10,000
		<u>970,000</u>

The Ordinary A,B & C shares carry no voting rights, except for the variation of class rights, whereas the Ordinary G shares carry one vote per share

All classes of shares have the right to receive dividends subject to the Ordinary G shares first receiving 10% of the subscription price

All classes of shares have the right to a return of capital

22 Statement of movements on profit and loss account

**Group
Profit and loss account**

	£
Loss for the period	<u>(629,141)</u>

**Company
Profit and loss account**

	£
Profit for the year	<u>-</u>

KNIGHT SQUARE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

23	Reconciliation of movements in shareholders' funds	2012
	Group	£
	Loss for the financial 10 months	(629,141)
	Issue of shares	970,000
		<hr/>
	Net addition to shareholders' funds	340,859
	Opening shareholders' funds	-
		<hr/>
	Closing shareholders' funds	340,859
		<hr/>
		2012
	Company	£
	Loss for the financial 10 months	-
	Issue of shares	970,000
		<hr/>
	Net addition to shareholders' funds	970,000
	Opening shareholders' funds	-
		<hr/>
	Closing shareholders' funds	970,000
		<hr/>

24 **Contingent liabilities**

Group

The Group is party to a composite debenture secured over all of its assets in favour of the Royal Bank of Scotland, as detailed in note 17. The Borrower is Peverel Services Limited, a subsidiary company. The loan balance and deferred interest payable outstanding at the Balance Sheet date were £24,250,000 and £9,648 respectively.

A number of bank accounts maintained for developments under management were overdrawn at 31 December 2012 amounting to £1,221,438. The group have given unlimited guarantees on these amounts in the event of default.

KNIGHT SQUARE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

25 Financial commitments

At 31 December 2012 the group had annual commitments under non-cancellable operating leases as follows

	Land and buildings 2012 £	Plant and machinery 2012 £
Expiry date		
Within one year	-	172,359
Between two and five years	547,973	1,241,031
In over five years	327,406	37,731
	<u>875,379</u>	<u>1,451,121</u>

26 Directors' remuneration

2012
£

Remuneration	<u>403,677</u>
--------------	----------------

Remuneration disclosed above includes the following amounts paid to the highest paid director

Remuneration for qualifying services	320,984
Company pension contributions to defined contribution schemes	<u>-</u>

Two directors were paid by a subsidiary undertaking, Peverel Services Limited, and the remaining directors were paid by related parties

KNIGHT SQUARE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

27 Employees

Number of employees

The average monthly number of employees (including directors) during the 10 months was

	2012 Number
Office and management	1,097
House managers and deputies	2,995
	<hr/> 4,092 <hr/>

Employment costs

	2012 £
Wages and salaries	26,740,489
Social security costs	2,562,072
Other pension costs	519,616
	<hr/> 29,822,177 <hr/>

House managers are employed by the group to oversee individual developments managed by the group. The employment cost of house managers 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 cost to the company.

These amounted to wages and salary costs of £36,803,279, social security cost of £3,283,997 and other pension costs of £471,890.

28 Control

The directors do not consider that there is an single entity or person having overall control.

KNIGHT SQUARE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 10 MONTHS ENDED 31 DECEMBER 2012

29 Related party relationships and transactions

Group

The group has taken advantage of the exemption permitted by Financial Reporting Standard 8 - Related Party Disclosures - not to give details of transactions and balances relating to the companies in the group headed by Knight Square Limited

Chamonix Private Equity LLP, a limited liability partnership registered in England and Wales under registration number OC334523, is regarded as a related party due to it having part common directors

During the period advisory services of £1,286,671 were paid

Electra Private Equity Partners 2006 Scottish LP and Electra Partners Club 2007 LP, both limited partnerships registered in England and Wales under registration numbers SL005877 and LP012583 respectively, are regarded as a related parties due to their shareholding in the company

During the period advisory services of £750,000 were paid to Electra Private Equity Partners 2006 Scottish LP

Both Electra Private Equity Partners 2006 Scottish LP and Electra Partners Club 2007 LP are holders of Senior and Junior Loan Notes which are included in 'Creditors amount falling due after more than one year' at 31 December 2012, as shown below

	Senior	Junior
Electra Private Equity Partners 2006 Scottish LP	£14,564,103	£7,146,788
Electra Partners Club 2007 LP	£7,282,051	£3,573,395

Interest charged on these loan notes during the 10 month period was as follows

	Senior	Junior
Electra Private Equity Partners 2006 Scottish LP	£1,807,545	£532,191
Electra Partners Club 2007 LP	£903,772	£266,096

The following directors are holders of Junior Loan Notes which are included in 'Creditors amount falling due after more than one year' at 31 December 2012

J E Entwistle	£49,500
P J Lester	£42,000
J L D Crawford	£450,509
A J Hartley	£399,861

Interest charged on these loan notes during the 10 month period was as follows

J E Entwistle	£3,686
P J Lester	£3,128
J L D Crawford	£33,548
A J Hartley	£29,776