

**KNIGHT SQUARE HOLDINGS LIMITED
(FORMERLY KNOWN AS KNIGHT SQUARE LIMITED)**

GROUP REPORT AND FINANCIAL ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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KNIGHT SQUARE HOLDINGS LIMITED

COMPANY INFORMATION

Directors	P J Lester J E Entwistle N Howell A Cooper-Evans A J Fortescue A J Hartley J L D Crawford
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 HOLDINGS LIMITED

The Peverel Group of companies (as summarised in note 5 to the financial statements) is the only trading business within the Knight Square Holdings 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

KNIGHT SQUARE HOLDINGS LIMITED

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KNIGHT SQUARE HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

Strategic Report

The year to 31 December 2013 has been a successful one for Peverel. It is the first full year of trading for the Group and a year of transformation when we delivered not only what we promised but also a robust trading performance in line with expectations.

Much work has been done to improve customer service and reduce costs, enabling us to deliver substantially on the commitments we made in our Customer Charter and helping us keep our five Promises (provide excellent customer service, transparency, value for money, be easy to deal with and consult with customers). The effects are clearly seen in good retention rates and a significant reduction in the volume of customer complaints, although the property division has yet to feel the full impact of the customer service improvements.

We continued our popular programme of "Ask Janet A Question" forums, where she met more than 200 Peverel customers across the country. She was able to highlight the important work we have done to provide better value while maintaining service levels as well as communicate significant Customer Charter milestones reached during the year.

Significant investment in staff training and technology to reduce levels of administration and improve communication has better positioned us to support customers. More rigorous management means we have more efficient systems and better service delivery. We have also strengthened our financial reporting, including divisional reporting, operate to a Code of Business Conduct to ensure best practice and the highest standards of honesty, transparency and integrity.

These investments are one-off and are included in the exceptional costs of £3,894k on page 18. They have laid the foundations for future growth and have already contributed to the improvement in services and improved efficiency. Exceptional costs will continue to fall in 2014 even while significant further benefits accrue.

Today, management has a clear understanding of the issues. The Group is in a much stronger position, with 2014 offering some exciting growth opportunities. Peverel Building Technologies has a particularly positive outlook, with an excellent platform in place to capitalise on the growing trend of older people wanting to live independently in their own homes. Overall, we are very encouraged by the outlook for Peverel in 2014 and beyond.

Peverel has gone through some important and necessary organisational improvements that were integral to securing the long-term future of the Group. We have appreciated the support of everyone associated with Peverel through these changes, in particular the people who work for us. We remain committed to providing the necessary support, training and technology to allow them to deliver the improved levels of customer service critical to the long-term future of Peverel Group.

The Group

Peverel Group is one of the UK's leading property services businesses, consisting of two divisions – Peverel Property Services and Peverel Building Technologies. Our Property division includes Peverel Retirement, Peverel Property Management, Retirement Homesearch and Kingsborough Insurance Services, while Peverel Building Technologies installs, maintains and monitors safety, security and fire systems which enable people to live independently in their own homes.

Headquartered in New Milton, Hampshire, Peverel Group has offices in London, Luton, Birmingham and Glasgow. Peverel employs 3,657 people of which 2,842 of these staff work at the developments managed by the Group. For further information visit www.peverel.co.uk

KNIGHT SQUARE HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

Business Review

The UK housing market recovery gathered momentum in 2013, boosted by Government schemes including Funding for Lending and Help to Buy. Further, the private rented sector has grown dramatically across all regions of the UK and predictions are that by 2018 one in five households will rent privately, offering positive prospects. In addition, the demographic trends are positive, with people living longer and increasingly seeking out opportunities to live independently. While these are good indicators for the Group's future, the market remains competitive and reputation and price are key decision-making factors. This underlines the importance of delivering best in class customer service to secure the long-term future of the Group.

In 2013, progress was made in establishing robust processes and controlling costs across the Group which continues into 2014. We have invested and strengthened our customer service processes and systems while at the same time making the Group more focused and efficient. We have also improved the way we handle customer complaints, with more consistency across the whole Group. As a result of improved service levels, clearer communication and better customer signposting, complaints halved by the year end.

Turnover was steady and the improved performances in both Peverel Property Services and Peverel Building Technologies can be attributed to the implementation of greater strategic planning, a tighter business focus, the ability of Peverel Building Technologies to bid once again for contracts post Administration, and stabilising our property businesses.

During the year, we further strengthened the senior management team, adding valuable operational experience and knowledge and positioning the Group well for the next phase of growth and value creation.

Peverel Property Services Division

Peverel Property Services is the UK's leading provider of residential property management. It consists of four main businesses: Peverel Retirement, Retirement Home Search, Peverel Property Management and Kingsborough Insurance.

Financial highlights for the division*	2013	2012
Turnover (£'000)	53,451	53,404
EBITDA (£'000)	21,109	20,538
EBITDA %	39%	38%
Operational highlights for the division*	2013	2012
Number of developments	3,791	3,780
Retention rates	94%	92%

**All of the above metrics are on a 12 month basis and ignore central costs of £12,974k (2012: £11,151k)*

The division experienced an improved performance in 2013. Revenues were fairly flat but better cost control provided Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of £21,109k. We also saw a small increase in the number of developments to 3,791 with retention rates (percentage of existing units under management retained during the year) up by two percentage points.

Peverel Retirement (PRD)

Peverel Retirement is the UK's leading retirement property management company, with 69,399 units under management across 1,643 developments. It includes Peverel Scotland, a residential management company with 10,655 units under management in 196 developments.

KNIGHT SQUARE HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

Customer service remains at the heart of the success of PRD, with continuing good levels helping to keep retention rates strong. Peverel Scotland, in particular, achieved a 100% retention rate in 2013. Investment in technology including tablet devices is expected to improve communication and service levels further, making development and field staff as effective as possible.

Overall, PRD performed well, delivered growth, with all geographical regions stable.

Retirement Home Search (RHS)

RHS, the UK's largest estate agency focused on retirement, had an excellent year. It benefited from better processes and the improving housing market, which delivered significant organic growth in 2013. These factors, along with the ageing population, will continue to offer excellent opportunities throughout 2014 with RHS seeking to enhance its accessibility to a much wider community and improve service levels through new investment in online "shop front" technology.

Peverel Property Management (PPM)

Peverel Property Management is the largest residential property manager in the UK with more than 110,000 units under management across 2,137 developments.

In 2013, it successfully delivered on its service improvement plans, introducing broader training programmes to improve customer service and improving its service proposition, in what remains a challenging market. PPM was able to pass on significant service charge procurement savings to customers. All these improvements have made PPM a more focused, stronger and more efficient business and while retention rates were down by four percentage points, this indicator inevitably lags behind a turnaround improvement in service delivery.

These changes put it in a good position to make plans to grow revenues again.

Kingsborough Insurance Services (KISL)

KISL, a regulated entity under the Financial Conduct Authority (FCA), continued to perform steadily, despite a key customer transferring its contracts to their own in-house operation.

Peverel Building Technologies

Peverel Building Technologies installs, maintains and monitors safety, security and fire systems to enable people to live independently in their own homes.

Financial highlights for the division*	2013	2012
Turnover (£'000)	18,958	17,501
Gross margins	42%	40%
Operational highlights for the division*	2013	2012
Average turnover per engineer per annum (£'000)	91	83
Number of installation jobs completed	254	141
Number of monitoring calls handled	3.1m	2.7m
New monitoring sales orders (£'000)	731	398

**All of the above metrics are on a "like for like" basis for a 12 month period and ignore central costs of £12,974k (2012: £11,151k)*

KNIGHT SQUARE HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

Turnover for the division grew by 8% in 2013 generating a two percentage point increase in gross margins. As the division returned to growth, engineers efficiency improved with the annual average turnover 10% per engineer, and we saw a rise in installation jobs procured and completed. The volume of monitoring calls also rose – up 15% and new monitoring sales orders almost doubled in value.

PBT enjoyed an excellent year, emerging as an important growth engine for Peverel with a strengthened credit rating. During the year it built important commercial relationships, helping to create good business momentum. Its high-quality services, high customer satisfaction and low staff turnover has enabled it to build a strong reputation in the market and it is well positioned to increase market share in this growing sector.

Strong revenue growth, improved efficiencies and important new contract wins with Northern Housing Consortium and Orbit helped improve profitability whilst its long-term contracts and strategic roadmap give excellent earnings visibility going forward.

With structural demographic growth drivers and the investment in new products. PBT is a promising growth opportunity for Peverel Group. There is now an excellent platform in place and we are focused on, broadening our health and well-being offering for a population that increasingly wants to stay in their own homes and live independently in older age.

Improving Industry Standards

Peverel's future success is not just about business performance. We are committed to raising standards and promoting best practice across the business sectors in which we operate. We have supported recent improvements in self-regulation in residential property management and continue to work with others to drive high standards.

The Peverel Group Code of Business Conduct outlines how we operate and sets out the standard we expect from everyone who works with us.

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. We also invest in safety training and have further strengthened our management of Health and Safety.

As part of our commitment, PBT holds a 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.

Corporate Social Responsibility

Peverel continued to strengthen its links with local schools and colleges, providing workshops to help young people plan their careers. This investment not only strengthens our reputation within the local communities, it has also led to an increase in applications from local school leavers to work at Peverel.

The Group retained its two Investors in People accreditations for Peverel Services Limited (Head Office) and Peverel Retirement and continues to hold accreditations across the rest of the group.

KNIGHT SQUARE HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

Group Financial Review

Having been formed part way through the prior year, this is the first full-year reporting period for Knight Square Holdings Limited. These accounts cover the 12-month period to the Group's year-end at 31st December 2013.

£'000	12 months	10 months
	2013	2012
Turnover	72,491	59,247
Underlying Operating Profit*	7,796	6,570
Cash generated from Operating activities	7,366	9,974
Net Debt**	(9,576)	(13,737)

**Underlying Operating Profit excludes exceptional costs. These costs are explained in note 3 of the accounts.*

*** Net Debt comprises cash at bank less bank debt.*

The Group is reporting a solid performance with stable turnover and profit for the year, strong cash generation, and a firm balance sheet position.

Consolidated Profit and Loss

2013 has been a year of transformation through substantial investment on process redesign and implementation with the aim of improving service and efficiency. Significant change has been delivered with annualised cost savings of £3m per annum. Top-line revenues have remained fairly flat on a 12-month basis, with improvements emerging.

After total net expenses (including depreciation and amortisation) of £68,763k, other income of £175k, the Group showed an Operating Profit of £3,903k. Amongst cost increases is the investment in a new senior management team as we improved governance and invested in strategy and development. Additional costs were also incurred for improving customer service, transformation projects, and process redesign. These additional latter expenses are shown separately in note 3 as exceptional items of £3,894k and include "one-off" professional services received during the year. Before these exceptional costs, the Group's underlying Operating Profit was £7,796k demonstrating a robust trading performance in-line with expectations.

The Group is mainly funded by a mixture of bank and long-term investor debt with 78% of the annual interest charge being investor related. This amounted to £4,923k in 2013 (10 months in 2012; £3,665k) and is a consequence of our Private Equity backed capital structure. After a profit on the sale of investment properties of £359k and net finance charges of £6,179k, the Group was left with a loss before tax of £1,917k. Absent the investor loan interest, the underlying Profit before Tax for the Group was £3,006k.

The Group does not benefit from a full tax deduction on the investor loan interest. Consequently, the tax charge of £501k relative to the loss before tax reflects such costs being unavailable as a deduction for tax purposes leaving the Group with a Loss after Tax of £2,418k.

Consolidated Balance Sheet

The Group has total assets less current liabilities of £63,948k (2012; £64,482). The balance sheet has remained fairly stable and is sensibly funded for a group of its size. Intangible assets reflect the purchased accounting goodwill, whilst Tangible net assets comprise capitalised IT and Office equipment, Land and Buildings and the Group's holding of Investment Properties, giving total fixed assets of £62,956k.

There are net current assets of £992k (2012; £1,835k), the reduction can be attributed to better ordering and use of stock and a more focused approach on work in progress and debtors. Creditor levels remained stable with the impact of bank debt reduction in this category being the main contributor to the drop in the overall balance. The Group possess a low bank gearing profile, cash at bank of £6,829k, and sufficient committed bank facilities, allowing debts to be settled as they fall due.

KNIGHT SQUARE HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

The robust trading in 2013 has played a significant part in the Group's financing capabilities and stable balance sheet position. As well as providing the liquidity to self-finance investments in the transformation projects, it has allowed a sizable reduction in bank debt. During 2013, £6,494k (2012; £750k) of debt repayments were made reducing the bank debt position to £17,756k (2012; £24,250k). This has ensured that leverage is significantly below two times EBITDA, a much improved position than the previous year.

Creditors falling due after more than one year of £56,588k (2012; £55,700) include £34,657k of shareholder loans along with accrued interest of £8,588k, and a proportion of bank debt. The increase year on year reflects the additional annualised investor loan interest.

Provisions in 2013 have seen an increase due to a re-assessment by management of the lagging effect of legacy issues inherited at acquisition. Detailed work was carried out by management to assess such risks based on the average annual value and the number of historic years outstanding. This approach is consistent with FRS 7 "acquisition accounting" and is explained in detail in note 19 of the accounts.

Consolidated Cash Flow Statement

As the Group delivered a sound Operating Profit through the various trading initiatives, better management of cash and working capital were other key priorities for 2013. Key milestones have been achieved and an improved approach to cash management helped generate a cash inflow from operating activities of £7,366k even after a significant amount of investment in year.

No debt issue costs were incurred in 2013 reducing returns on investments and servicing of finance to £833k from £3,062k in the previous year. After tax payments amounting to £1,561k, an investment of £1,562k in tangible assets (mainly IT and office equipment), and receipts of £1,174k from the sales of investment properties, net cash inflow before financing amounted to £4,584k.

Due to bank debt and investor loans put in place in the previous year, the only financing outflow in 2013 was the substantial bank debt repayment that totalled £6,494k. This delivered a cash decrease of £1,910k leaving a closing cash balance of £6,829k.

KNIGHT SQUARE HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

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 PBT 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 has a business continuity plan for each business operational office.

Legal Compliance

Knight Square Holdings Group operates within the UK and is as such subject its legal and compliance regime. To guard against a failure to comply with legislation Peverel employs qualified advisors both internally and externally who report regularly to the Board about 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.

Change of name

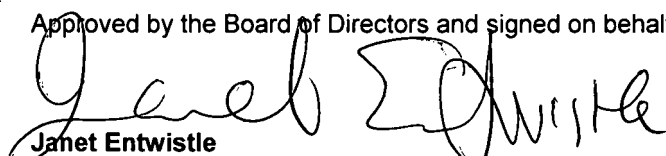
On 22 May 2014, the Board of Directors passed a resolution to change the name of Knight Square Limited to Knight Square Holdings Limited.

Approval of Strategic Report

This Annual Report comprises a strategic report for the Group 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.

It should be noted that the Strategic Report has been prepared for the Group as a whole, and therefore gives greater emphasis to those matters which are significant to the Company and its subsidiaries when viewed as a whole.

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



Janet Entwistle
Chief Executive Officer, Knight Square Group of companies

22 May 2014

KNIGHT SQUARE HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

Governance

Principal activity

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. The group now has two trading divisions – Peverel Property Services and Peverel Building Technologies as explained in the strategic report on pages 5-11.

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.

The Board and Management Team

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

The following directors held office during the 12 months to 31 December 2013:

P J Lester	
J E Entwistle	
N J Martin	(resigned 19 September 2013)
A Cooper-Evans	
A J Fortescue	
A J Hartley	
J L D Crawford	
N Howell	(appointed 29 April 2013)

The Peverel Chief Executive Officer, Janet Entwistle, 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, finance, procurement, human resources, IT, communications and legal functions.

Operation of the Board

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

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

Remuneration Committee

Knight Square Group has a remuneration committee of three non-Executive directors – comprising Paul Lester (Chair), Jane Crawford, and Alex Fortescue. It meets annually to agree pay rises, bonuses and discuss pay rates.

KNIGHT SQUARE HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

Processes

Internal Audit

As in many similar sized organisations, it has been deemed sufficient to rely on internal controls and process so no specific internal audit function exists. However, the board has commissioned a project to review internal audit requirements and may appoint an external provider in the second half of 2014.

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 major 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.

Expenditure Approval

Systems exist and are monitored to ensure expenditure is approved within the required approval limits. High-cost items and projects are subject to further investment appraisal and sign-off requirements.

Cash and Cash Management

Knight Square Holdings Group uses RBS Group/National Westminster Bank plc ('NatWest') as its primary corporate banker and has committed banking facilities in place. Cash forecasts are completed and reviewed daily, weekly and on a monthly basis.

Peverel also holds cash in trust on behalf of the developments that it manages for customers. These monies are held in separate interest - bearing NatWest service charge bank accounts, are unavailable to Peverel, and can truly be used for services provided at each development. These bank accounts are reconciled daily.

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.

Employee Involvement

The group's policy is to consult and discuss with employees, individually and collectively, matters likely to affect employees' interests.

Information of matters of concern to employees is given through information bulletins and reports that 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.

KNIGHT SQUARE HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

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 auditors' of the Knight Square Holdings Group and its subsidiaries are BDO LLP. BDO reports to the shareholders, their work, and any feedback to the group arising from the work they undertake, is overseen by the audit committee.

Financial Risk Management

Peverel's operations expose it to a variety of financial risks that include the effects of credit, liquidity and interest rate risk. Peverel 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 throughout 2013 hedging arrangements were in place to mitigate the majority of this risk. The risk level is considered low and therefore interest risk is being assessed and a decision will be made on whether to continue with the hedging arrangement. 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

Peverel has a large base of UK residential and commercial customers. Dedicated credit control teams exist within the Group with strict processes being operated to manage and mitigate the risk of non-payment of charges. As cash management and forecasting starts to play a larger role in the group a renewed focus in this area has helped drive improvements in reducing credit risk levels.

Future Developments

Future developments are set out in the Strategic Report in pages 5 to 12.

KNIGHT SQUARE HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

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 judgments 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



Nigel Howell
Chief Financial Officer, Knight Square Group of companies

23 May 2014

KNIGHT SQUARE HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KNIGHT SQUARE HOLDINGS LIMITED

We have audited the financial statements of Knight Square Holdings Limited for the year ended 31 December 2013 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated 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 auditor's 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 statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC'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 FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2013 and of the group's 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 strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

KNIGHT SQUARE HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF KNIGHT SQUARE HOLDINGS 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 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

23 May 2014



Arcadia House
Maritime Walk
Ocean Village
Southampton
SO14 3TL

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

KNIGHT SQUARE HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2013

		2013	10 Months ended 31 December 2012
	Notes	£	£
Turnover	2	72,490,650	59,247,248
Cost of sales		(11,420,474)	(9,226,328)
Gross profit		61,070,176	50,020,920
Administrative expenses	(53,448,783)	(43,604,516)	
Exceptional items	(3,893,588)	(2,079,662)	
Total administrative expenses		(57,342,371)	(45,684,178)
Other operating income		175,037	153,685
Operating Profit	3	3,902,842	4,490,427
Profit on sale of investment property		359,387	471,776
Profit on ordinary activities before interest		4,262,229	4,962,203
Other interest receivable and similar income		158,362	40,049
Interest payable and similar charges	4	(6,337,578)	(4,990,230)
(Loss)/profit on ordinary activities before taxation		(1,916,987)	12,022
Tax on (loss)/profit on ordinary activities	5	(500,820)	(641,163)
Loss on ordinary activities after taxation		(2,417,807)	(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.

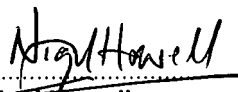
KNIGHT SQUARE HOLDINGS LIMITED

BALANCE SHEETS

AS AT 31 DECEMBER 2013

	Notes	2013 £	Group 2012 £	2013 £	Company 2012 £
Fixed assets					
Intangible assets	7	37,212,109	35,354,740	-	-
Tangible assets	8	4,005,365	5,090,610	-	-
Investment Properties	9	21,738,190	22,201,782	-	-
Investments	10	-	-	960,000	960,000
		<u>62,955,664</u>	<u>62,647,132</u>	<u>960,000</u>	<u>960,000</u>
Current assets					
Stocks	11	1,240,602	1,661,907	-	-
Debtors	12	8,573,196	10,373,605	52,000	-
Properties for resale	13	1,149,744	1,625,375	-	-
Cash at bank and in hand		6,828,892	8,739,007	1	52,001
		<u>17,792,434</u>	<u>22,399,894</u>	<u>52,001</u>	<u>52,001</u>
Creditors: amounts falling due within one year	16	(16,800,140)	(20,564,842)	(42,001)	(42,001)
Net current assets		<u>992,294</u>	<u>1,835,052</u>	<u>10,000</u>	<u>10,000</u>
Total assets less current liabilities		<u>63,947,958</u>	<u>64,482,184</u>	<u>970,000</u>	<u>970,000</u>
Creditors: amounts falling due after more than one year	17	56,587,838	55,700,395	-	-
Provisions for liabilities	19	9,437,068	8,440,930	-	-
Capital and reserves					
Called up share capital	21	970,000	970,000	970,000	970,000
Profit and loss account	22	(3,046,948)	(629,141)	-	-
Shareholders' (deficit)/funds	23	(2,076,948)	340,859	970,000	970,000
		<u>63,947,958</u>	<u>64,482,184</u>	<u>970,000</u>	<u>970,000</u>

Approved by the Board and authorised for issue on 23 May 2014


Nigel Howell
Director

Company Registration No. 07925023

KNIGHT SQUARE HOLDINGS LIMITED

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	10 Months ended	
	31 December	
	2013	2012
	£	£
Net cash inflow from operating activities	7,366,475	9,974,732
Returns on investments and servicing of finance		
Interest received	158,362	40,049
Interest paid	(991,276)	(950,246)
Loan issue costs paid	-	(2,151,812)
Net cash outflow for returns on investments and servicing of finance	(832,914)	(3,062,009)
Taxation	(1,560,910)	-
Capital expenditure		
Payments to acquire tangible assets	(1,562,076)	(2,198,577)
Receipts from sales of investment properties	1,173,610	1,274,621
Net cash outflow for capital expenditure	(388,466)	(923,956)
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 inflow/(outflow) before financing	4,584,185	(25,739,709)
Financing		
Issue of ordinary share capital	-	970,000
Bank loan advanced	-	25,000,000
Bank loans repaid	(6,494,300)	(750,000)
Shareholder loans advanced	-	34,657,000
Other loans repaid	-	(25,398,284)
Net cash (outflow)/inflow from financing	(6,494,300)	34,478,716
(Decrease)/Increase in cash in the period	(1,910,115)	8,739,007

KNIGHT SQUARE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

1	Reconciliation of operating profit to net cash from operating activities	2013	2012
		£	£
	Operating profit	3,902,842	4,490,427
	Depreciation of tangible assets	2,645,167	2,037,424
	Amortisation of intangible assets	2,218,192	1,537,162
	Loss/(Profit) on disposal of tangible assets	2,155	(100)
	Decrease in stocks	421,305	736,742
	Decrease in debtors	1,148,586	3,068,777
	Decrease in creditors within one year	(302,820)	(1,895,700)
	Decrease in provisions	(2,668,952)	-
	Net cash inflow from operating activities	7,366,475	9,974,732

2	Analysis of net debt	31 December 2012	Cash flow	Other non- cash changes	31 December 2013
		£	£	Interest	Loan issue costs
				£	£
	Cash at bank and in hand	8,739,007	(1,910,115)	-	-
	Bank loans	(22,476,013)	6,494,300	-	(423,527)
	Shareholder loans	(38,322,286)	-	(4,922,775)	-
		(60,798,299)	6,494,300	(4,922,775)	(423,527)
	Net debt	(52,059,292)	4,584,185	(4,922,775)	(423,527)

3	Reconciliation of net cash flow to movement in net debt	2013	2012
		£	£
	(Decrease)/Increase in cash in period	(1,910,115)	8,739,007
	Cash inflow from increase in loans	-	(58,907,000)
	Cash outflow from decrease in debt	6,494,300	-
	Change in net debt resulting from cash flows	4,584,185	(50,167,993)
	Other non-cash changes	(5,346,302)	(1,891,299)
	Opening net debt	(52,059,292)	-
	Closing net debt	(52,821,409)	(52,059,292)

KNIGHT SQUARE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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 2013. 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 HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1 Accounting policies

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 HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1 Accounting policies

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.

Other than that presented in the strategic report, no further 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.

KNIGHT SQUARE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

3	Operating profit	2013 £	2012 £
	Operating profit is stated after charging:		
	Amortisation of intangible assets	2,218,192	1,537,162
	Depreciation of tangible assets	2,645,167	2,037,424
	Loss on disposal of tangible assets	2,155	-
	Operating lease rentals		
	- Motor vehicles, Plant and machinery	1,840,293	1,530,657
	- Other assets	1,384,789	1,146,530
	Exceptional items	3,893,588	2,079,662
	and after crediting:		
	Rents receivable	49,892	49,680
	Profit on disposal of tangible assets	-	100

Exceptional items include £3,509,415 for business review costs including a procurement project, continued process improvements to improve service delivery and costs of restructuring teams to improve service delivery. In addition this sum includes £338,173 for legal fees and £46,000 for other costs.

Auditors' remuneration

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

Fees for audit services	107,500	98,000
Taxation compliance services	49,000	45,850
Taxation advisory services	27,000	20,155
Other services	6,000	4,750
	<u>189,500</u>	<u>168,755</u>

4	Interest payable	2013 £	2012 £
	On bank loans and overdrafts	991,276	947,119
	On shareholder loans	4,922,775	3,665,286
	Loan fee amortisation	423,527	377,825
		<u>6,337,578</u>	<u>4,990,230</u>

KNIGHT SQUARE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

5	Taxation	2013 £	2012 £
	Domestic current year tax		
	U.K. corporation tax	705,664	1,598,341
	Adjustment for prior years	(675,428)	-
	Total current tax	<u>30,236</u>	<u>1,598,341</u>
	Deferred tax		
	Origination and reversal of timing differences	194,359	(1,102,591)
	Effects of changes in tax rates and laws	285,856	145,413
	Deferred tax adjustments arising in previous periods	(9,631)	-
		<u>470,584</u>	<u>(957,178)</u>
		<u>500,820</u>	<u>641,163</u>
	Factors affecting the tax charge for the year		
	(Loss)/profit on ordinary activities before taxation	<u>(1,916,987)</u>	<u>12,022</u>
	(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 23.25%.	<u>(445,699)</u>	<u>2,945</u>
	Effects of:		
	Non deductible expenses	1,268,943	1,384,384
	Fixed assets timing differences	110,346	60,562
	Movement on tax losses	(370,107)	(224,380)
	Adjustment for prior years	(675,428)	-
	Chargeable Gains	146,079	185,964
	Other tax adjustments	(3,898)	188,866
		<u>475,935</u>	<u>1,595,396</u>
	Current tax charge for the year	<u>30,236</u>	<u>1,598,341</u>

The group has losses available to carry forward against future trading profits of approximately £15.5m (2012: £17.8m)

KNIGHT SQUARE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

6 Result for the financial year

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 year is made up as follows:

	2013	2012
	£	£
Holding company's result for the financial year	-	-

7 Intangible fixed assets Group

	Goodwill £
Cost	
At 1 January 2013	36,891,902
Additions	4,075,561
At 31 December 2013	40,967,463
Amortisation	
At 1 January 2013	1,537,162
Charge for the year	2,218,192
At 31 December 2013	3,755,354
Net book value	
At 31 December 2013	37,212,109
At 31 December 2012	35,354,740

Additions relate to the re-assessment of the Fair Value of Assets and Liabilities acquired on 5 March 2012. These principally relate to claims arising from Developments under management as disclosed in note 19.

KNIGHT SQUARE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

8 Tangible fixed assets

Group	Land and buildings Freehold	Land and buildings Leasehold	Office equipment, fixtures & fittings	Total
	£	£	£	£
Cost				
At 1 January 2013	8,193	355,778	14,276,004	14,639,975
Additions	-	2,687	1,559,389	1,562,076
Disposals	-	-	(2,191)	(2,191)
At 31 December 2013	8,193	358,465	15,833,202	16,199,860
Depreciation				
At 1 January 2013	1,441	259,651	9,288,273	9,549,365
On disposals	-	-	(37)	(37)
Charge for the year	163	32,737	2,612,267	2,645,167
At 31 December 2013	1,604	292,388	11,900,503	12,194,495
Net book value				
At 31 December 2013	6,589	66,077	3,932,699	4,005,365
At 31 December 2012	6,752	96,127	4,987,731	5,090,610

KNIGHT SQUARE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

9	Tangible fixed assets	
	Investment properties	Group
		£
	Cost	
	At 1 January 2013	22,201,782
	Reclassifications brought forward	1,625,375
	Reclassified as current asset investments	(1,149,744)
	Fair value adjustments	(125,000)
	Disposals	(814,223)
		<hr/>
	At 31 December 2013	21,738,190
		<hr/>
	Depreciation	
	At 1 January 2013 & at 31 December 2013	-
		<hr/>
	Net book value	
	At 31 December 2013	21,738,190
		<hr/>
	Net book value	
	At 31 December 2012	22,201,782
		<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 HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

10 Fixed asset investments

Company

Shares in
group
undertakings
£

Cost & net book value

At 1 January 2013 & at 31 December 2013

960,000

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
Knight Midco Limited	7927619	Holding company
Appello Telehealth Limited	4174104	Monitoring services
Careline UK Monitoring Limited	3229746	Monitoring services
Cirrus Communication Systems Limited	1444995	Maintenance and installation
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
Pembertons 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 Homeseach Limited	3829469	Specialist estate agent
Sonata Insurance Services Limited	6704179	Insurance services

11 Stocks

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Raw materials and consumables	969,131	1,028,043	-	-
Long term contract balances:				
- Net cost less foreseeable losses	243,839	608,178	-	-
Finished goods and goods for resale	27,632	25,686	-	-
	<u>1,240,602</u>	<u>1,661,907</u>	<u>-</u>	<u>-</u>

KNIGHT SQUARE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

12 Debtors

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Trade debtors	3,395,819	3,743,331	-	-
Amounts owed by group undertakings	-	-	52,000	-
Other debtors	1,165,536	2,036,721	-	-
Prepayments and accrued income	2,252,726	2,363,856	-	-
Deferred tax asset (see note 19)	1,759,113	2,229,697	-	-
	<u>8,573,196</u>	<u>10,373,605</u>	<u>52,000</u>	<u>-</u>

13 Current asset investments

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Investment properties held for resale	<u>1,149,744</u>	<u>1,625,375</u>	<u>-</u>	<u>-</u>

14 Client Money

Residents' net cash balances held in trust accounts at 31 December 2013 was £212,282,828 (2012: £203,357,809). Cash balances held in Joint accounts at 31 December 2013 was £5,732,824 (2012: £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 £2,059,575 (2012: £3,047,563) are included in the Balance Sheet which comprise £2,050,000 (2012: £2,056,580) to cover overdrawn bank accounts for developments managed by the group and £9,575 (2012: £990,983) held in a mandatory prepayment account to be applied against the group's bank borrowings.

KNIGHT SQUARE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

16 Creditors : amounts falling due within one year

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Bank loans and overdrafts	3,062,463	5,097,904	-	-
Trade creditors	2,165,756	3,746,771	-	-
Amounts owed to group undertakings	-	-	42,001	42,001
Corporation tax	295,884	1,826,558	-	-
Other taxes and social security costs	2,356,103	2,290,810	-	-
Other creditors	405,950	500,195	-	-
Accruals and deferred income	8,513,984	7,102,604	-	-
	<u>16,800,140</u>	<u>20,564,842</u>	<u>42,001</u>	<u>42,001</u>

KNIGHT SQUARE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

17 Creditors : amounts falling due after more than one year

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Bank loans	13,342,777	17,378,109	-	-
Shareholder loans	34,657,000	34,657,000	-	-
Interest on shareholder loans	8,588,061	3,665,286	-	-
	<u>56,587,838</u>	<u>55,700,395</u>	<u>-</u>	<u>-</u>
Analysis of loans				
Not wholly repayable within five years:	43,245,061	38,322,286	-	-
Wholly repayable within five years	16,405,240	22,476,013	-	-
	<u>59,650,301</u>	<u>60,798,299</u>	<u>-</u>	<u>-</u>
Included in current liabilities (see note 16)	(3,062,463)	(5,097,904)	-	-
	<u>56,587,838</u>	<u>55,700,395</u>	<u>-</u>	<u>-</u>

Offset against bank loans wholly repayable within five years is an amount of £1,350,460 (2012: £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	13,342,777	17,378,109	-	-
In more than five years	43,245,061	38,322,286	-	-
	<u>56,587,838</u>	<u>55,700,395</u>	<u>-</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 £10,104,409 (2012: £15,250,000) and £7,651,291 (2012: £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 (2012: £34,657,000) which is split into £21,846,154 (2012: £21,846,154) of Senior Loan notes and £12,810,846 (2012: £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 HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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 £17.755m (2012: £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 2013 was £(22,231). The value at 31 December 2012 was £(110,939)

Borrowing facilities

There are no undrawn committed borrowing facilities at 31 December 2013. (2012: £nil)

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
	£	£	£
At 1 January 2013	450,000	7,990,930	8,440,930
Amounts used	(201,433)	(2,684,197)	(2,885,630)
Unused amounts reversed	-	(475,730)	(475,730)
Additional provisions made	-	692,408	692,408
Fair Value adjustments	(248,567)	3,913,655	3,665,088
Balance at 31 December 2013	-	9,437,066	9,437,066

The group manages a large number of commercial and residential property developments. There are historical issues within this significant portfolio which have given rise to some disputes and claims under the management contracts that govern them. Management continue to defend these claims vigorously and such claims can take many years to resolve so management have recognised the need for a provision of £9,437,066 (2012: £7,990,930)

In addition to this, the provision made in 2012 of £450,000 for dilapidations relating to the head office buildings in New Milton, Hampshire, was partially utilised during 2013 to the extent of £201,433, the balance of which was reversed as it is no longer required.

KNIGHT SQUARE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

19 Provisions for liabilities (cont'd)

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

	Group 2013 £	Company 2013 £
Balance at 01 January 2013	(2,229,697)	-
Profit and loss account	470,584	-
	<u> </u>	<u> </u>
Balance at 31 December 2013	<u>(1,759,113)</u>	<u>-</u>

	Group 2013 £	2012 £	Company 2013 £	2012 £
Decelerated capital allowances	(1,009,438)	(1,043,119)	-	-
Trading losses	(747,675)	(1,184,333)	-	-
Other timing differences	(2,000)	(2,245)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>(1,759,113)</u>	<u>(2,229,697)</u>	<u>-</u>	<u>-</u>

The group has an unrecognised deferred tax asset of approximately £2,367,000 (2012: £2,900,000) for losses carried forward.

20 Pension and other post-retirement benefit commitments

Defined contribution

	2013 £	2012 £
Contributions payable by the group for the year	<u>621,746</u>	<u>519,616</u>

Pension contributions outstanding at the year-end amounted to £152,153 (2012: £138,842)

KNIGHT SQUARE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

21	Share capital	2013 £	2012 £
	Allotted, called up and fully paid		
	741,433 Ordinary A shares of £1 each	741,433	741,433
	183,567 Ordinary B shares of £1 each	183,567	183,567
	35,000 Ordinary C shares of £1 each	35,000	35,000
	10,000 Ordinary G shares of £1 each	10,000	10,000
		<u>970,000</u>	<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 £

Balance at 1 January 2013	(629,141)
Loss for the year	(2,417,807)
Balance at 31 December 2013	<u>(3,046,948)</u>

Company Profit and loss account £

Profit for the year	<u>-</u>
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KNIGHT SQUARE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

23	Reconciliation of movements in shareholders' funds Group	2013 £	2012 £
	Loss for the financial year	(2,417,807)	(629,141)
	Issue of shares	-	970,000
	Net (depletion in)/addition to shareholders' funds	(2,417,807)	340,859
	Opening shareholders' funds	340,859	-
	Closing shareholders' (deficit)/funds	(2,076,948)	340,859
	Company	2013 £	2012 £
	Loss for the financial year	-	-
	Issue of shares	-	970,000
	Net (depletion in)/addition to shareholders' funds	-	970,000
	Opening shareholders' funds	970,000	-
	Closing shareholders' funds	970,000	970,000

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 £17,755,700 (2012: £24,250,000) and £nil (2012: £9,648) respectively.

A number of bank accounts maintained for developments under management were overdrawn at 31 December 2013 amounting to £811,192 (2012: £1,221,438). The group have given unlimited guarantees on these amounts in the event of default.

KNIGHT SQUARE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

25 Financial commitments

At 31 December 2013 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2013	2012	2013	2012
	£	£	£	£
Expiry date:				
Within one year	20,050	-	212,424	172,359
Between two and five years	535,373	547,973	1,126,732	1,241,031
In over five years	205,259	327,406	176,107	37,731
	<u>760,682</u>	<u>875,379</u>	<u>1,515,263</u>	<u>1,451,121</u>

26 Directors' remuneration

	2013	2012
	£	£
Remuneration for qualifying services	<u>666,010</u>	<u>403,677</u>
Remuneration disclosed above includes the following amounts paid to the highest paid director:		
Remuneration for qualifying services	<u>351,130</u>	<u>320,984</u>

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

KNIGHT SQUARE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

27 Employees

Number of employees

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

	2013 Number	2012 Number
Office and management	1,115	1,097
House managers and deputies	2,842	2,995
	<u>3,957</u>	<u>4,092</u>

Employment costs

	2013 £	2012 £
Wages and salaries	33,278,779	26,740,489
Social security costs	2,966,511	2,562,072
Other pension costs	621,746	519,616
	<u>37,613,254</u>	<u>29,822,177</u>

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 £34,648,675 (2012: £36,803,279) social security cost of £2,888,305 (2012: £3,283,997) and other pension costs of £383,165 (2012: £471,890).

28 Control

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

KNIGHT SQUARE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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 £427,667 (10 months 2012: £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 £256,827 (10 months 2012: £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 year was as follows:

	Senior 2013	Junior 2013
Electra Private Equity Partners 2006 Scottish LP	£2,591,313	£729,068
Electra Partners Club 2007 LP	£1,092,308	£321,606

Interest for the 10 months in 2012 on the Electra Private Equity Partners 2006 Scottish LP Senior and Junior loan notes was £1,807,545 and £532,191 respectively.

Interest for the 10 months in 2012 on the Electra Partners Club 2007 LP Senior and Junior loan notes was £903,772 and £266,096 respectively.

KNIGHT SQUARE HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

29 Related party relationships and transactions

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 2013.

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 year was as follows:

	10 months	
	2013	2012
J E Entwistle	£4,787	£3,686
P J Lester	£4,062	£3,128
J L D Crawford	£43,565	£33,548
A J Hartley	£38,667	£29,776