Company Registration No. 07925023 (England and Wales)

KNIGHT SQUARE HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

KNIGHT SQUARE HOLDINGS LIMITED

COMPANY INFORMATION

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Company number	07925023
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KNIGHT SQUARE HOLDINGS LIMITED

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KNIGHT SQUARE HOLDINGS LIMITED

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

New investment at FirstPort supports transformation and growth

I am pleased to report the financial results for the year ended 31 December 2019 for the Knight Square Holdings Limited Group ("the Group") and its operating businesses, FirstPort and Appello.

During the year, the Group comprised two separately managed and operated businesses; FirstPort, a leading provider of UK residential property services, and Appello, a digital-enabled care solutions provider.

Epiris and Chamonix held a controlling interest in the Group for the last seven years and were extremely supportive during the well-executed turnaround and subsequent growth of the Group. However, FirstPort's positive service improvement combined with its strong market position, allowed it to focus on transforming its service offering with a new digital platform whilst, accelerating growth both organically and through acquisition. To truly deliver these plans, new investment was required. Equistone Partners Europe saw this as a good opportunity to invest in the business given their reputation and track record in supporting growth businesses. On the 30th August 2019, Appello was de-merged from the Group and remained with Epiris and Chamonix whilst, on the 6th September 2019, Equistone Partners Europe acquired the Group which effectively was the FirstPort business. Equistone Partners Europe now owns a majority interest in the business with management as the only minority shareholder. The remainder of this report will therefore solely focus on FirstPort and its performance.

FirstPort

FirstPort continued to build on its significantly improved brand and service reputation in 2019. It has differentiated itself in a fragmented market and is playing a leading role in driving up standards in a sector in need of change. FirstPort is a large provider of residential property services and remains the largest private residential property manager in the UK. With 196,000 homes under management across 4,000 sites nationwide, the business is utilising its scale to play an influencing role in the sector to provide a positive impact for customers.

Market and regulatory change

The UK housing market remains dynamic, with nearly a quarter of a million new homes being built in 2018 and 2019 – the highest for nearly 30 years. Emerging segments, like Build to Rent (BTR), also present opportunities for growth. For residential property management, the industry remains large and fragmented, but with sector reform on the horizon, some market consolidation can be expected over the coming few years.

Sector reform covers potential changes to the leasehold system, including the possible introduction of common hold and the regulation of managing agents. Whilst the precise nature of these changes is still to be determined by Government, this undoubtedly presents further opportunity for FirstPort to differentiate as industry leaders. Having actively embraced voluntary regulation some years ago, FirstPort is already operating to the high standards that all property managers will likely be held to in due course.

Building and fire safety have also remained primary areas of focus for the sector and for Government. Applying the Government's Advice Notes and statements to existing UK housing stock have created sector-wide challenges in 2019 and into 2020. Mortgage lenders' rapid adoption of Advice Notes and successor statements created a nationwide inspection and remediation backlog that is affecting residents who are unable to re-mortgage or sell their homes. All property managers, including FirstPort, are impacted by this issue and are working with all parties to seek practical solutions for our customers.

Strategic developments

For FirstPort, 2019 was a further year of transformation to ensure the right capabilities are in place for improvements to service alongside accelerated growth.

Customers are always at the forefront of the decision-making process and the business delivers this by continuously seeking to improve its offerings. In 2019, FirstPort hired a Chief Technology Officer experienced in digital transformation of large organisations and launched a change programme, focusing on people, process and technology. This will ensure FirstPort can meet changing market expectations and deliver market-leading services for its customers, clients, supply chain, and employees.

Organic growth also saw new skills introduced to strengthen client account management and business development. This has delivered positive growth, which I highlight further in the financial summary. Acquisitive growth built on previous successes is occurring too, with FirstPort acquiring 100% of the share capital of Barratt Residential Asset Management Limited (BRAM) on the 16th March 2019. This acquisition, along with the investment made in our organic growth capabilities, was a testament to the partnership created by the business with its clients' and demonstrates the growth ambitions of the business.

Summary of financial performance

FirstPort's 2019 results demonstrate its underlying resilience and accelerating growth. Whilst economic and political uncertainty adversely affected the UK residential sector, notably the residential resale market, the underlying business and other service offerings remained strong.

For the year ended 31 December 2019, FirstPort reported increased revenues up by 8% to £60.8m (2018: £56.4m) from strong organic and acquisitive growth. Underlying EBITDA for the business remained flat as the full year effect of the Development Manager apartment sale-and-leaseback in 2018 offset underlying growth. Excluding this leaseback impact of £2.0m (2018: £1.0m), underlying EBITDA was 5% better than the prior year. Underlying EBITDA excludes exceptional items, gain on investment properties and gain on sale of subsidiaries, discontinued operations and group cost.

Organic growth continued at pace as new units won reached a record 11,500 units (up 35% on 2018) whilst units mobilised from our order book exceeded already low churn rates resulting in a net organic increase in units under management. Units won are derived from a range of clients such as resident management companies, developers, and landlords. Growing organic sales momentum combined with an acquired order book of 6,000 units from the BRAM acquisition helped strengthen our year end order book. Confirmed appointments in the order book reached 31,150 units, a 64% increase from our closing position at 31st December 2019.

Board and governance

The Group's Board meets regularly and comprises Executive and Non-Executive Directors', each experienced, skilled and dedicated, bringing relevant expertise from a range of sectors including property. The Board meetings are focused on the opportunities and risks associated with the Group, including Health and Safety, along with the strategic direction of FirstPort and its various stakeholder impacts.

Board members ensure that engagement in the organisation exists at all levels and that decisions made are primarily customer centric. However, with a wide stakeholder base that includes clients, suppliers, employees, and society more widely, all decisions take the entire stakeholder population into consideration. Further information on the Board's activities can be found in the strategic report in page 14.

People

A primary driver of the Knight Square Group's success is the team of highly skilled, caring, and loyal employees. The Group places huge importance on engaging with and developing its employees providing a platform for personal growth and career development. We are committed to having a positive impact on their quality of life, their families and the wider communities in which we operate. This sits well with our focus on providing quality services to all our customers. On behalf of the Board, I would like to thank them for their continued hard work, energy, and dedication.

Group outlook

The changes in ownership and the de-merger of Appello has meant that the Group will solely hold an interest in FirstPort as we move forward. FirstPort is well positioned to achieve continued growth, with a strong order book, pipeline, continually growing industry network, increasing brand recognition, and significantly improved brand reputation.

The board are committed to transforming its technology and processes, and to empowering its people to deliver a truly market-leading service.

FirstPort is in a strong position to successfully meet evolving customer expectations, client demands, differentiate itself over competitors, and meet any future regulatory expectations for managing agents. As we navigate through the recent COVID-19 events, the business is showing its resilient characteristics and is expected to emerge in good shape. Refer to note 1.4 for an assessment on going concern.

Paul Lester CBE
Chairman- Drive Topco Limited

Transforming to become the UK's favourite Property Manager

Principal activities

FirstPort is the UK's largest residential property management business, with over 40 years' experience in its sector. Our principle activity is that of procuring services to residential customers under leasehold provisions. The business also provides consulting, surveying, lettings and resales services to its residential clients and customers.

Our purpose

Our 3,199 employees care for the places our customers call home –196,000 across the UK. We make sure the buildings our customers live in are safe, clean and comfortable. We do that by taking care of all the areas residents share with their neighbours. That means taking on the day-to-day tasks like mowing the lawn, as well as sorting out the big jobs like refurbishing the lifts. In addition, if something goes wrong, for example the underground car park gets flooded, we are the people who help get that fixed too. Our customers do not have to worry about finding the right supplier or working out how to split the bill with their neighbours.

Our vision

Our vision is to be the nation's favourite residential property manager. We are working hard to reach this, setting high standards in our industry, doing business ethically and responsibly, and delivering services to customers and clients to help make home ownership in communal developments a positive experience.

Our operating model

Our business is structured into six divisions: Luxury, Large & Complex, Property Services, Estates, Build to Rent, and Retirement. Each has its own specialist team dedicated to delivering high quality services for our customers and clients. These divisions are supported by professional in-house teams who are responsible for health and safety, mobilisation, finance, procurement, maintenance and surveying, asset operation and compliance, legal, IT, business development and communications.

Our operational delivery focuses on what we know as the 'Four Pillars'. These pillars provide clear focus for our operatives and make sure we deliver and measure our services consistently across all 4,000 developments we look after. Our Four Pillars cover:

- Strong health and safety,
- High site standards,
- Great customer communications, and
- Healthy estate finances.

Market backdrop

Growing market dynamics amidst regulation change

New housebuilding has strengthened in 2019 with statistics from the Ministry of Housing, Communities and Local Government (MHCLG) showing the number of new homes built in 2018 to 2019 reached a total of 241,130, the highest for almost 30 years. FirstPort is well positioned to capitalise on this as we continue to strengthen and broaden our partnerships with leading developers.

The residential property management sector is large and fragmented. There are estimated to be 5.4 million apartments across the UK and FirstPort is well positioned to grow amongst residential customers who value well-managed and welcoming homes as an important part of their busy lifestyles.

Market backdrop (continued)

Momentum has grown around the leasehold reform agenda including mandatory regulation of managing agents. FirstPort has long embraced these market principles, and we believe these changes will bring higher standards of professionalism. Residential buildings will continue to require professional managers with a range of skills and well-trained staff working to high standards. Complex issues arise on developments that will always require an ethical and professional agent to resolve.

FirstPort already complies with voluntary regulation through our professional bodies and by investing in professional qualifications for our employees. We are a member of the Association of Residential Managing Agents (ARMA) and are accredited to ARMA-Q management standards. In 2019, all our senior leaders were either members of the Institute of Residential Property Management (IRPM) or successfully achieved their associate level qualifications.

Government, property developers, freeholders, managers, and residential customers will need to continue to work together to make sure that the highest standards of service and safety are achieved in residential buildings.

Private rental sector

Build to Rent (BTR) continues to be a promising and rapidly growing segment within the UK residential market. It has been emerging for some time now and according to the British Property Federation (BPF), there are now 152,071 BTR homes in the UK. These are broadly split with 50% of developments in London and 50% outside of London. Of these, 40,181 are now complete, 35,415 are under construction and 75,475 are in planning. The market has reported that the BTR volumes have grown 20% from Q3 2018 to Q3 2019. We expect this positive growth to continue into 2020 and are building strong relationships with BTR investors and developers so that FirstPort can play a leading role in the successful management of BTR developments.

Retirement living

The retirement segment of the UK residential market is also evolving and offers positive potential for FirstPort. There are 730,000 retirement housing units across the UK, according to the Elderly Accommodation Counsel (EAC). Of these, 52% were built or last renovated over 30 years ago and constructed by traditional retirement developers. However, in the last few years there has been a rise in retirement rental properties, institutional investors have started to enter the market, and new developers emerging as new entrants to the retirement segment. The demographics of the UK population suggests more needs to be done in this segment and we are seeing an evolved approach to retirement housing. There are new standards emerging that meet the changing expectations of current and future retirees looking for different amenities and high specifications. FirstPort is the leading service provider to independent living in retirement developments so it is no surprise that new partnerships are being forged to ensure we have an equally evolved service offering for this next wave of retirement housing.

Awarded the 'Sword of Honour' for our health and safety culture

Outstanding commitment to health and safety is at the heart of our culture and the first consideration in everything we do. This has been recognised by the prestigious British Safety Council who awarded us a five-star rating in our 2019 Occupational Health & Safety Audit – the fourth consecutive year we have achieved this. The auditors scored FirstPort an exceptional high rating and noted the business' commitment and passion at all levels, and that best practice is being set and continual improvements implemented.

In December 2019, FirstPort was also presented with the prestigious Sword of Honour from the British Safety Council, an award for organisations who have reached the pinnacle of health, safety and environmental management. FirstPort was one of only 84 organisations worldwide to receive the Sword of Honour in 2019.

Fire safety has remained an understandably high priority for Government in 2019. The publication of important new building safety guidance has created sector-wide implementation challenges as to its scale and pace. A further impact is many mortgage lenders now require a Certificate of Compliance for residential buildings that can only be supplied by a small number of specialists. As a result, this has created a significant blockage in leasehold flat sales, with somewhere between 3,000 and 9,000 properties estimated to be affected. FirstPort has been lobbying Government via its membership of professional bodies and has been communicating with impacted customers to help them understand the complexities of what remains a challenging and unresolved situation.

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

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

Although the pace and impact of the Covid-19 is impossible to predict with accuracy, we recognise we look after 196,000 homes nationwide, one-third of which are age-restricted independent retirement living homes. Across the country, FirstPort are and will be working hard to take real care of homes and our customers.

Financial and operational performance

The Group enjoyed a year of continued positive progress in 2019 with the business showing its growth momentum by delivering record new business wins of 11,500 units, churn stable at 2.3%, and strong trading. Independent research undertaken in 2019 showed 85% of FirstPort's customers are either satisfied or extremely satisfied with the service they receive, a testament to our efforts to deliver consistently good service over the years. Property Week, a leading industry publication, also recognised FirstPort by awarding us 'Residential Property Management Company of the Year' at their All Star Awards in November 2019. FirstPort's Legal team were also recognised Professional Services Team of the Year at the same awards. These accolades came at the end of a successful year - we won 21 awards in 2019, a significant increase from 7 in 2018, and were highly commended for seven and shortlisted for a further 13.

In 2019, we also secured new investors to support our strategy of accelerated growth, the business was re-financed to provide new funding for innovation and acquisitions, we successfully acquired Barratt Residential Asset Management Limited (BRAM), and we began the development of our digital transformation program. Despite these new activities, the financials held up well and delivered year-on-year improvements in the underlying profits demonstrating the resilience of the business. Costs associated with the transactions can be found in the exceptional spend highlighted in the profit and loss account.

Annual turnover for continuing operations of £60.8m was the first time we broke through the £60m milestone representing a 8% increase on prior year. This was achieved through a strong 3% increase from the underlying business along with the acquisition of BRAM. Our organic growth further picked up in 2019 and our order book stood at a healthy 31,150 units at the end of the year.

Financial and operational performance (continued)

Reported EBITDA for the business remained flat as the full year effect of the Development Manager apartment sale-and-leaseback in 2018 offset underlying growth. Excluding the leaseback impact of £2.0m (2018: £1.0m) underlying EBITDA was 5% better than prior year.

Operating cash had a strong conversion rate in-line with prior year and we benefited from unlocking opportunities in our bolt-on acquisition. The business possesses good working capital characteristics allowing our short-term obligations to be met whilst illustrating further our potential for growth.

Growth strategy

FirstPort experienced a transformational year in 2019. The business successfully re-financed and welcomed new investors, Equistone Partners Europe, to build on its solid platform and benefit from the changing dynamics of the residential property market. FirstPort can now look forward to further innovating its service offering with our customers, clients, suppliers and people to define new approaches and processes.

Our core principles remain unchanged, and we stand by our customer-centric approach that has helped us grow organically and acquisitively. However, we will be seeking to improve service further, and investment in innovation and our people will be key to our success. In 2019, we were proud to allocate significant funds to commence this journey.

Another proud moment of 2019 was the successful acquisition and integration of Barratt Residential Asset Management Limited (BRAM). Having built strong relationships with the Barratt group we were pleased to acquire BRAM on the 16 March 2019, bringing to our group a wealth of property management experience and a number of large and complex sites in and around the London region. Barratt continue to expect high service standards from their property managers and we were delighted that our standards and service offerings met their requirements. This, along with previous acquisitions, have helped us capture learnings and skills with a core team to support future successful acquisitions.

Our people

We recognise that our people play the leading role in our service delivery and in our customers' and clients' experiences of doing business with FirstPort.

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

All colleagues are welcomed and supported, and our robust equal opportunity and diversity policies ensures this is a consistent experience for all employees across our business. We support our employees' health and wellbeing through our Employee Assistance Programme and have trained 40 colleagues as Mental Health First Aiders in 2019.

The Group's policy is to enable and support recruitment of disabled workers. Assistance with initial training is given and we adapt the workplace as appropriate. 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.

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

Our people (continued)

We have continued to invest in our people. We have a comprehensive e-learning platform, in-house classroom-based courses including our proprietary Concierge Academy, and a mentor/mentee programme to help all of our employees learn new skills and progress their careers at FirstPort. We support our employees to pursue relevant professional qualifications, particularly with the IRPM, and we run bespoke leadership programmes with Ashridge University.

We welcomed our fourth graduate scheme intake in September 2019, giving eight graduates the opportunity to become residential property managers at the end of their 12-month programme. All of our 2018-19 graduates are now working in operational roles across the business.

Our commitment to supporting our employees has been recognised by the Top Employers Institute who have accredited FirstPort for the second consecutive year as one of the UK's Top Employers. We are one of only 82 companies to receive this prestigious certification, and the only residential property manager to have achieved this.

Corporate governance and social responsibility

Ethical standards and principles

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

Environmental and social responsibility

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

Following an employee vote to select our charity partner FirstPort has partnered with Centrepoint, a leading youth homelessness charity, since December 2018. In the first year we raised over £52,000 for Centrepoint and held more than 65 different fundraising events and activities with employees, customers and clients all getting involved.

We have continued our commitment to reducing our business' carbon footprint, and work is in progress to embed further our environmental, social and corporate responsibilities into our culture. This will be done through a framework that will play an integral role in decision-making when procuring third party services for customers. We are working with Business in the Community (BITC) and are beginning the processes to achieve our Carbon Trust award and ISO 4001.

Nigel Howell

Nigel Howell
Director
30 April 2020

Group financial performance

Revenue

Group revenues include both continuing operations and discontinued operations. The discontinued operations relate to the Appello business which was disposed of during the 2019 financial year when Equistone Europe Partners acquired the majority shareholding in the Group. The discontinued operations reflect the performance of the Appello business up to the date of its disposal from the Group and is not a reflection of the business's performance for the entire financial year.

Continuing operations is entirely the FirstPort business which shows revenues increased by 8% to £60.8m (2018: £56.4m) demonstrating its resilient business model in a year that was characterised by political and economical uncertainty. It has been a very positive year for the business as organic and acquisitive growth have played key roles in expanding its operations in such a fragmented market whilst also enhancing and extending its current and new client base.

FirstPort's positive trading has allowed it to surpass the £60.0m milestone for the first time in its history with the growth driven by an increase in units under management whilst churn of the current portfolio remained low at 2.3%. This has helped enhance the recurring revenue workstreams which mobilised almost 6,000 units in 2019 from organic wins unwinding out of the orderbook in addition to the 11,000 units acquired from the Barratt Residential Asset Management (BRAM) transaction that occurred on the 16th March 2019. The orderbook sat at a very healthy 31,150 units at 31st December 2019.

EBITDA

Group EBITDA from continuing operations increased by 15% to £12.8m (2018: £11.1m). A large proportion of this increase relates to Knight Square portfolio costs that were removed following the change in ownership of the Group. However, underlying EBITDA performance did generate a 5% year-on-year improvement but due to the full year impact of the sale and lease back transaction, £2.0m (2018: £1.0m), that was carried out in the first half of 2018, the underlying EBITDA remains flat at £13.1m. Growth in revenues have been the main contributors to profit improvements.

The investment also included the BRAM acquisition which has proven to be a good new addition to the Group as new skillsets and expertise have been introduced to FirstPort widening our capabilities and supporting our plans for future opportunities. In 2019, BRAM was fully integrated in the second half of the year so the full year impact of any synergies created will not be evident in the profit and loss account until 2020.

Management considers revenue and underlying EBITDA to be the key performance indicators for the group. Underlying EBITDA excludes exceptional items, gain on investment properties, gain on sale of subsidiaries, discontinued operations and group costs.

Exceptional items and loss before taxation

Exceptional items of £7.0m (2018: £2.9m) for continuing operations, and £0.2m for discontinued operations have been incurred in 2019. These costs are one-off in nature and relate to transactional costs to support the growth of the business. After exceptional items, the Appello disposal gain and interest charges explained below, the Group incurred a loss before taxation of £0.2m (2018: £3.8m) for the year. The movement relates to the transformation of the business where ownership changes and structuring created some fluctuation in the relevant cost/income lines. None of these fluctuations are driven by trading activities.

Interest

The Group has seen strong performances over the previous three years following the successful turnaround in service and reputation. The Board decided that this would be a good opportunity for it to re-finance the business with cheaper debt in order to support the future strategy of the business. As a result of this decision, the Group introduced financing from NatWest and Pemberton in the first half of the year and incurred interest charges of £5.6m for 2019 (2018: £5.4m). The increase from prior year relates to the increase in loan fee amortisation.

Taxation

The tax credit in the year of £0.3m (2018: tax charge of £1.4m) reflects the tax impact of non-taxable income of £0.8m and non-deductible expenses of £1.2m. The movement of deferred tax from a £0.8m asset in 2018 to a £0.2m asset in 2019 mainly represent the deferred tax lability arisen from the acquisition of BRAM of £0.7m.

Discontinued operations

On 30 August 2019, the Group disposed of the Appello Group for a non-cash consideration of £2.6m. The disposal was to facilitate Appello's de-merger from the Group, which remained with Epiris and Chamonix.

Group financial position

Intangible assets

Intangible assets represent goodwill, internally developed software and customer list. It has increased to £35.4m (2018: £31.3m) after disposing of Appello goodwill, which amounted to £3.2m. This increase related to intellectual property created from the digital project that is currently in its infancy along with acquired customer contracts following the BRAM acquisition. We felt it is necessary for the readers of the financial statements to understand all the components of the intangible assets given its material value on the balance sheet.

Net liabilities position

The Group's net liabilities were £11.6m (2018: £11.6m) and has remained flat despite the significant balance sheet events in the year which include the acquisition of BRAM, the disposal of Appello, refinancing of bank loans and the sale of investment properties.

Current assets and liabilities

The net current assets have increased to £11.6m (2018: net current liabilities of £3.1m). The main driver being an increase in amounts owed by parent undertakings of £14.8m as a result of the disposal of Appello and the change in ownership of the Group.

Borrowings and cash

In 2019, there had been significant funding changes that included the Group's repayment of the existing revolving credit facility of £23.5m and replacing it with a new £81.7m facility comprising of:

- £12.1m term loan facility due 9 October 2025;
- £52.1m term loan facility due 9 April 2026;
- £10m acquisition facility due 9 April 2026, undrawn as at year end; and
- £7.5m revolving credit facility due 9 October 2025, undrawn as at year end.

The board took the decision to replace its Junior Loan Notes with cheaper debt as confidence from lenders in FirstPort activities grows.

Borrowings and cash (continued)

The refinancing enabled the entire outstanding balance of 9% Junior Loan notes of £12.9m and associated accrued interest of £9m to be repaid. The loan notes were delisted from TISE on the same date. The new facility is secured against the shares and assets of the FirstPort division (including Knight Square Limited).

As at 31 December 2019, total term facility debt held was £64.2m excluding deferred financing cost with a cash balance of £4.6m, which resulted in net debt of £59.6m (2018: £18.3m). The increase in net bank debt is due to the new financing, which is providing financial strength to the business activities.

Finance leases were repaid in full in 2019.

Capital Structure

The capital structure for the Group is deemed to be appropriate for a business of this size.

Cash flow and covenants

Cash balances are managed by the Group in line with the financing and working capital requirements of the Group's trading businesses. Net cash generated from operations decreased to £0.4m (2018: £6.9m). The decrease is largely driven by one-off exceptional items of £7.2m as disclosed in note 5.

We invested in capital projects such as the digital platform and improvements to our office estate, spending £5.4m (2018: £3.2m). We also spent net cash of £4.7m on the acquisition of Barratts Residential Assets Management Limited during the year. The demerger of Appello entities during the year, by way of a sale of subsidiaries by the Group, was a non-cash transaction, which resulted in a cash outflow of £4.3m due to the cash disposed of as part of the sale.

Receipts from the sales of investment properties were £1.6m (2018: £25.4m).

The Group continued to be diligent in monitoring banking covenants which are forecasted on a monthly basis and tested each quarter. We have comfortably exceeded all covenant requirements for the quarters ended and including 31 December 2019 with headroom of 39% plus.

Events after the balance sheet date

In early 2020, businesses around the UK have been impacted by COVID-19 and the UK Government measures taken to slow the spread of the pandemic. The Board has carefully reviewed the impact of these events on the Group and has taken steps to navigate these unprecedented circumstances whilst ensuring that suitable customer service demands are met. COVID-19 is a non-adjusting post balance sheet event for the purposes of the year ended 31 December 2019 and has been considered within the Going Concern assessment in note 1.4. The Board continue to consider the Company and Group as a going concern.

The Group's principal risks and uncertainties are set out in the table below together with their potential impact on our business and the measures we take to manage and mitigate them.

Risk	Risk Description	Mitigation
Health and safety ("H&S")	The risk of breaches of H&S standards resulting in injuries, environmental damage or physical damage to property leading to financial penalties, reputational damage and delays to site related activities	• Dedicated H&S team under the guidance of skilled H&S Director • Robust H&S culture with safety risk register
Contract retention	The risk associated to the dependency on key client/customer contracts and the loss of contracts	• Delivery of high-quality customer service under standardised 'four pillars' approach • Maintaining a regular dialogue with individual and business customers. • Commitment to the principles set out in its Customer Charter
Reputation	The risk of damage to brand name or reputation either through our people, our behaviours, or third parties acting on our behalf	• Improvement in customer service and clear complaints processes reduce the risk of issues escalating • Monitoring and responding to customer feedback on employees and third party supplier services • Whistle-blower hotline
Economic risks and changes in market dynamics	Failure to respond effectively to developments in the broader economy, competition and other market or fiscal dynamics, including Brexit and COVID-19	• Resilient UK based business model • Significant experience and expertise in chosen markets • Frequent review of competition • Market insight and intelligence
Financial management	Failure to maintain appropriate financial controls throughout the business, including the management of debt covenants, credit risk, fraud risk and taxation	• Experienced finance team • Financial control environment • Close monitoring of financial performance, debt covenants and credit risk by senior management • Board oversight of financial performance
Systems dependence and business continuity	The risk associated with the non- delivery and future-proofing of our technology, including the potential impact of business interruption through systems and facilities	• Investment in appropriate technology and staff • IT governance structure • IT resilience and disaster recovery plans designed to restore service • Business continuity plan for each business operational office • Cyber security accreditation

STRATEGIC REPORT - PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Risk	Risk Description	Mitigation
Legal and regulatory compliance	The risk of failing to comply with relevant laws, regulations and Standards including AML, CCO, Gender Pay Reporting and Modern Slavery	• Employment of qualified advisors both internally and externally who report regularly to the Board about all significant legislative changes in the UK • Development of internal policies and procedures to ensure adequate capture of legal and regulatory compliance issues • Maintenance of risk register for all current regulatory issues • Training programmes for staff
People Risk	The risk that we fail to attract and retain high calibre employees in order to deliver on all aspects of our strategy	• HR strategy encompassing recruitment, reward, retention, talent development and performance management • Succession planning for middle and senior management • Regular review of top talent in the organisation regardless of level by all executive members
Data protection and privacy risk	The risk of the loss or misuse of customer or employee data	• Information security policies encompassing data protection • Investment in appropriate technology and staff • General data protection regulation (GDPR) steering committee • Breach register and ICO registration

The Group has not applied any specific corporate governance code in the year ended 31 December 2019. We have disclosed the Group's governance procedures in this section and are comfortable with the current framework given the size and nature of the Group.

Board & Board Committees

Governance

The Group is privately owned and had a board comprising two directors.

During the year, chairman P J Lester had responsibility for the Board with N Howell, Chief Executive Officer, heading up the underlying operating business. P J Lester resigned from the Board on 16 January 2020 and has been appointed as the chairman of Drive Topco Limited, the parent of the Drive Topco Limited Group, which the Knight Square Holdings Limited Group is a part of.

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 along with key risks and obligations are reviewed and considered at Board meetings.

Committees of the Board

Audit Committee

The Group has an audit committee of three non-executive directors of Drive Topco Limited - comprising P J Lester (Chair), T Swales, and I Boman-Flavell. The Audit Committee meets at least twice a year to review the Group's results and internal controls.

The Group's external auditors are invited to attend the Audit Committee meetings to report progress against agreed internal control and risk management objectives.

Remuneration Committee

The Group has a remuneration committee of three non-Executive directors of Drive Topco Limited - comprising P J Lester (Chair), T Swales, and I Boman-Flavell. It meets at least twice a year to review pay rises, bonuses and discuss remuneration matters as required.

Internal control and risk management

The Group's approach to internal control is overseen by senior management via a dedicated internal governance and compliance team. The two executive directors hold monthly internal control meetings with the governance team based on the Board agreed risk framework, mitigating strategies, and the latest status of the risks. Any changes or matters of concern are reported to the full Board. 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). The Group utilises the support of external experts to conduct ad hoc reviews of specific areas of the business that the Board considers may present significant risk.

External Audit

PricewaterhouseCoopers LLP acts as independent auditors of the Group and its subsidiaries. The Audit Committee oversees the performance of the independent auditors.

Financial risk management

The Group's operations expose it to a variety of financial risks that include the effects of credit, liquidity, cash flow and interest rate risk. The Group has in place robust controls to limit adverse impact on performance by monitoring potential financial risks to which the Group is subject. 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.

- The Group's exposure to interest rate risk was assessed by management and considered low. However, hedging arrangements are in place until 2021 as stipulated in the refinancing arrangements agreed in 2019.
- The Group has a large base of UK residential and commercial customers, which reduces the concentration of credit risk. Where we transact with corporate customers, credit control teams exist within the Group with strict processes being operated to manage and mitigate the risk of non-payment of charges.
- The Group has cash management and forecasting processes in place to manage cash flow and liquidity within our existing financing.

Statement on the Directors' performance of their statutory duties in accordance with s172 (1) Companies Act 2006

The Directors of the Group, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in the UK's Companies Act and include a duty to promote the success of the company.

As part of their induction, the Directors are briefed on their duties and they can access professional advice on these through the Group or, if they judge it necessary from an independent provider.

The following paragraphs summarise how the Directors fulfil their duties:

Decision-making

Each year, the Board undertake an in-depth review of the Group's strategy, including a 5-year business plan. Once approved by the Board, the plan and strategy form the basis for financial budgets, resource plans and investment decisions of the Group. In making decisions concerning the business plan and future strategy, the Board take into consideration a variety of matters including the interest of various stakeholders, the consequences of its decisions in the long term and its long-term reputation. For more details on the strategic developments in 2019, see pages 2 and 7.

In a large Group such as this, the Directors fulfil their duties partly through a governance framework that delegates day-to-day decision making to employees of the Group through delegated authorities. For more details on our governance structure, see page 14. The Board reserve certain matters for its own considerations so that it can exercise judgement directly when making major decisions.

The Directors maintain oversight of the Group's performance over the year and ensure that management is acting in accordance to with strategy, and plan as agreed by the Board. The Board also effectively identify, evaluate, manage and mitigate the risk the Group faces, details are provided in pages 12 and 13.

Our people

Employees are central to the long-term success of the group, as such, the Board consider their interest, and, to assist in doing so, have means of engaging with and understanding their views. Refer to pages 7 and 8 for more details on our people.

Business relationships

The Board ensure that engagement in the organisation exists at all levels and that decisions made are primarily customer centric. However, with a wide stakeholder base that includes clients, suppliers, employees, and society more widely, all decisions take the entire stakeholder population into consideration.

Statement on the Directors' performance of their statutory duties in accordance with s172 (1) Companies Act 2006 (continued)

Community and environment

The Group aims to create positive change for the people and communities it interacts with, details are in page 8.

Reputation for high standards of business conduct

Our purpose, our vision and our operating model provides the key elements of how the Group maintains a reputation for high standards of business conduct, refer to page 3.

Directors and our employees are required to behave ethically and with transparency, details in page 8.

Shareholders

Our majority shareholder have appointed 2 directors to the board of Drive Topco Limited, of which this Group is a part of, and contribute to the strategic direction of the Group.

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 that 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.

Ouda Saleh
Director
30 April 2020

KNIGHT SQUARE HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2019.

Principal activities

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. Knight Square had two trading businesses - FirstPort and Appello. Appello was disposed of on 30th August 2019.

Directors

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

P J Lester	(resigned on 16 January 2020)
A J Hartley	(resigned on 6 September 2019)
J L D Crawford	(resigned on 6 September 2019)
A J Fortescue	(resigned on 6 September 2019)
A Cooper-Evans	(resigned on 6 September 2019)
N Howell	
M Turner	(resigned on 6 September 2019)
S Muncer	(resigned on 6 September 2019)
T Barclay	(resigned on 6 September 2019)
S Watkinson	(resigned on 6 September 2019)
O Saleh	(appointed on 6 September 2019)

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. This is a qualifying third party indemnity provisions made for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Results and dividends

The results for the year are set out in the consolidated profit and loss account on page 22. No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

Employees

Information on employees is included in the Strategic Report on page 7.

Disabled persons

Information on disable persons is included in the Strategic Report on page 7.

Future developments

The future developments of the business are discussed in the Strategic Report on page 7.

Financial risk management

Information on financial risk management is included in the Strategic Report on page 15.

Going Concern

Information on going concern is included in note 1.4 on page 30.

Research and development

Information on the research and development of an internally developed software is included in note 14 on page 45.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Directors' confirmations

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

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

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

Nigel Howell

Nigel Howell
Director
30 April 2020

KNIGHT SQUARE HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KNIGHT SQUARE HOLDINGS LIMITED

Report on the audit of the financial statements

Our opinion

In our opinion, Knight Square Holdings Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and financial statements (the "Annual Report"), which comprise: the consolidated and company balance sheet as at 31 December 2019; the consolidated profit and loss account and consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 18, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Diane Walmsley

Diane Walmsley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
30 April 2020

KNIGHT SQUARE HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Continuing operations £'000	Discontinued operations £'000	31 December 2019 £'000	Continuing operations £'000	Discontinued operations £'000	31 December 2018 £'000
Turnover	3	60,814	7,751	68,565	56,393	16,018	72,411
Cost of sales		-	(3,867)	(3,867)	-	(9,039)	(9,039)
Gross profit		60,814	3,884	64,698	56,393	6,979	63,372
Administrative expenses		(53,069)	(3,512)	(56,581)	(51,226)	(6,220)	(57,446)
Other operating expenses		-	-	-	(2)	-	(2)
Net gain/(loss) on investment properties	4	159	-	159	(34)	-	(34)
Net gain/(loss) on disposal of operations	5	-	4,327	4,327	-	(1,452)	(1,452)
Exceptional items	6	(7,021)	(220)	(7,241)	(2,863)	-	(2,863)
Operating profit/(loss)	7	883	4,479	5,362	2,268	(693)	1,575
Interest receivable and similar income		1	-	1	20	-	20
Interest payable and similar expenses	12	(5,592)	(5)	(5,597)	(5,354)	-	(5,354)
(Loss)/Profit before taxation		(4,708)	4,474	(234)	(3,066)	(693)	(3,759)
Tax on profit/loss	13	259	31	290	(1,421)	32	(1,389)
(Loss)/Profit for the financial year		(4,449)	4,505	56	(4,487)	(661)	(5,148)
(Loss)/Profit for the financial year is attributable to:							
- Owners of the parent company		(4,449)	4,505	56	(4,487)	(661)	(5,148)
- Non-controlling interests		-	-	-	-	-	-
(Loss)/Profit for the financial year		(4,449)	4,505	56	(4,487)	(661)	(5,148)

KNIGHT SQUARE HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £'000	2018 £'000
Profit/(Loss) for the financial year	56	(5,148)
Other comprehensive income	-	-
Total comprehensive income/(expense) for the year	56	(5,148)
Total comprehensive income/(expense) for the year attributable to:		
- Owners of the parent	56	(5,148)
- Non-controlling interests	-	-
Total comprehensive income/(expense) for the year	56	(5,148)

KNIGHT SQUARE HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2019

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Fixed assets					
Intangible assets	**14**		35,441		31,295
Tangible assets	**15**		3,111		5,304
			38,552		36,599
Current assets					
Investment properties held for resale	**16**	188		1,668	
Inventories	**19**	-		798	
Debtors	**20**	20,528		9,459	
Cash at bank and in hand		4,559		5,244	
		25,275		17,169	
Creditors: amounts falling due within one year	**22**	(13,668)		(20,264)	
Net current assets/(liabilities)			11,607		(3,095)
Total assets less current liabilities			50,159		33,504
Creditors: amounts falling due after more than one year	**23**		(61,257)		(44,407)
Provisions for liabilities	**25**		(538)		(677)
Net liabilities			(11,636)		(11,580)
Capital and reserves					
Called up share capital	**28**	92		92	
Share premium account	**28**	911		911	
Profit and loss account		(12,639)		(12,695)	
Total equity attributable to owners of the parent			(11,636)		(11,692)
Non-controlling interests			-		112
Total equity			(11,636)		(11,580)

The notes on pages 29 to 64 are an integral part of these financial statements.

The financial statements on pages 22 to 64 were approved by the board of directors and authorised for issue on 30 April 2020 and are signed on its behalf by:

Ouda Saleh
Director

KNIGHT SQUARE HOLDINGS LIMITED

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2019

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Fixed assets					
Investment	17		960		960
Current assets					
Debtors	20	78		78	
Creditors: amounts falling due within one year	22	(35)		(35)	
Net current assets			43		43
Total assets less current liabilities			1,003		1,003
Capital and reserves					
Called up share capital	28	92		92	
Share premium account	28	911		911	
Profit and loss account		-		-	
Total equity			1,003		1,003

As permitted by section 408 of the Companies Act 2006, the Company's profit and loss account has not been included in these financial statements. The Company made a profit of £nil (2018: £nil) for the financial year.

The notes on pages 29 to 64 are an integral part of these financial statements.

The financial statements on pages 22 to 64 were approved by the board of directors and authorised for issue on 30 April 2020 and are signed on its behalf by:

Ouda Saleh
Director

Company Registration No. 07925023

KNIGHT SQUARE HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Share premium account	Profit and loss account	Equity attributable to the owners of the parent	Non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2018	92	911	(7,547)	(6,544)	112	(6,432)
Year ended 31 December 2018:						
Loss and total comprehensive expense for the financial year	-	-	(5,148)	(5,148)	-	(5,148)
Balance at 31 December 2018	92	911	(12,695)	(11,692)	112	(11,580)
Year ended 31 December 2019:						
Profit and total comprehensive income for the financial year	-	-	56	56	-	56
Total changes in ownership as a result of disposal of operations	-	-	-	-	(112)	(112)
Balance at 31 December 2019	92	911	(12,639)	(11,636)	-	(11,636)

KNIGHT SQUARE HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£'000	£'000	£'000	£'000
Balance at 1 January 2018	92	911	-	1,003
Year ended 31 December 2018:				
Result for the financial year	-	-	-	-
Balance at 31 December 2018	92	911	-	1,003
Year ended 31 December 2019:				
Result for the financial year	-	-	-	-
Balance at 31 December 2019	92	911	-	1,003

KNIGHT SQUARE HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Cash flows from operating activities					
Cash generated from operations	**36**		4,320		10,780
Tax paid			(3,920)		(3,877)
Net cash generated from operating activities			400		6,903
Cash flows from investing activities					
Cash outflow from disposal of business		(4,276)		(707)	
Purchase of intangible assets		(4,096)		(1,479)	
Purchase of tangible assets		(1,268)		(1,753)	
Proceeds on disposal of investment property- net of cost of disposal		1,637		25,401	
Purchase of subsidiaries net of cash acquired		(4,726)		-	
Interest received		1		20	
Net cash (used in)/ generated from investing activities			(12,728)		21,482
Cash flows from financing activities					
Drawdown in / (repayment) of bank facility		40,700		(4,500)	
Repayment of shareholder loans		(12,940)		(1,147)	
Repayments under finance lease		(424)		(804)	
Loan arrangement fees		(3,311)		(290)	
Interest paid		(12,382)		(20,650)	
Net cash generated from/(used in) financing activities			11,643		(27,391)
Net (decrease)/increase in cash and cash equivalents			(685)		994
Cash and cash equivalents at beginning of year			5,244		4,250
Cash and cash equivalents at end of year			4,559		5,244
Cash and cash equivalents consists of:					
Cash at bank and in hand			4,559		5,244

1 Accounting policies

General information

Knight Square Holdings Limited (the Company) is the parent of the group of companies (the Group) which provides residential property management and related services, and safety and wellbeing services, within the United Kingdom. It operates two businesses:

- FirstPort is the largest residential property management business in the UK with a core service offering organised around six customer/market segments: Luxury, Large and Complex, Property Services, Estates, Build to Rent and Retirement. In addition to its core offerings, FirstPort also provides specialist independent retirement estate agency services, insurance products, and residential lettings.
- Appello is a technology-driven care-at-home services group, which includes telecare and telehealth monitoring, call services and field services such as fire sensor installation and maintenance, security and compliance.

On 30 August 2019, the Appello business comprising of Appello Limited, Appello Telehealth Limited, Call24Hour Limited, Careline UK Monitoring Limited and Cirrus Communication Systems Limited was disposed of and disclosed as discontinuing operations in this consolidated financial statements for 2019 and 2018, refer to note 5.

The company is a private company limited by shares and incorporated and domiciled in the United Kingdom. The address of its registered office is Queensway House, 11 Queensway, New Milton, Hampshire, UK, BH25 5NR.

1.1 Statement of compliance

The consolidated financial statements of Knight Square Holdings Limited (the Group), and the separate financial statements of the parent entity (the Company), have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

1.2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.3 Basis of preparation

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of investment properties.

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

1 Accounting policies (continued)

1.4 Going concern

The Group manages its day-to-day working capital requirements through its bank facilities. The ability of the Group to service its debt obligations is critical to the ongoing trading of the business and we have considered the key factors that could have an impact on trading and whether an adverse change in these factors could affect our ability to meet our liabilities. The Group undertook a refinancing of the business on 10th April 2019, refer to note 24 for further description. The Group has a considerable number of on-going management contracts in FirstPort, and accordingly the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities.

As part of assessing the ability to continue as a going concern, the Group also considered the impact of the COVID-19 pandemic and any related potential economic downturn on its business. During this assessment, management conducted various scenario analysis with sufficient depth and duration, considering different levels of revenue reduction, working capital implications and mitigating actions available to management. Management created three scenarios which modelled the effect of incremental reductions to revenue and cost and the duration of its recovery to usual levels on the Group's results for the period up to the end of 2021. There are three revenue streams which management do not expect to be materially affected due to their nature, and hence have not been altered in the three scenarios. In each scenario, sufficient liquidity and headroom on the Group's covenant were demonstrated. Even though the COVID-19 pandemic has presented a high level of uncertainty to all businesses, FirstPort operates as a resilient business and has the capabilities to continue to operate for the foreseeable future and for at least the period of twelve months following the date of approval of these financial statements.

1.5 Exemptions for qualifying entities under FRS 102

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

(i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes any cash flows of the Company;

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

(iii) from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7, as the information is provided in the consolidated financial statement disclosures.

(iv) The company has taken advantage of the exemption in section 408 of the Companies Act from presenting its individual profit and loss account.

1 Accounting policies (continued)

1.6 Basis of consolidation

The group consolidated financial statements include the financial statements of the company and all of its subsidiary undertakings made up to 31 December.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity, it accounts for that entity as a subsidiary.

Where a subsidiary has different accounting policies to the group, adjustments are made to those subsidiary financial statements to apply the group's accounting policies when preparing the consolidated financial statements.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the group holds a long-term interest and where the group has significant influence. The group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate. The results of associates are accounted for using the equity method of accounting.

Any subsidiary undertakings or associates sold or acquired during the year are included up to, or from, the dates of change of control or change of significant influence respectively.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on transactions with associates to the extent of the group's interest in the entity.

1.7 Revenue recognition

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

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

Revenue for the key services provided by the Group is recognised as follows:

(i) Residential and commercial property management services

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

(ii) Monitoring and telecare services

Fees for emergency alarm monitoring services that supports a range of personal alarm and telecare products are recognised as the Group's obligations under the applicable contracts are delivered to the customer which is typically on a straight-line basis over the period of the contract.

1 Accounting policies (continued)

1.6 Revenue recognition (continued)

(iii) Other revenue

Commissions earned on the placing of insurance products on behalf of third parties are recognised when the Group has completed its services under the arrangements which is the inception date of the underlying insurance policy. Any commission adjustments for additional and return premiums are recognised as they occur.

Fees for installation of the Group's products are recognised when the installation service is completed. Where an installation project lasts for a period of greater than 12 months, the percentage of completion method is applied if the final outcome and profitability of the contract can be assessed with reasonable certainty. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. The percentage of completion is determined by the proportion of contract costs incurred to the reporting date compared to the latest estimate of total forecast contract costs. Turnover and cost of sales are recognised in the profit and loss account as contract activity progresses and based on the calculated percentage of completion.

Fees for real estate agency and property transfer services are recognised on completion of the related property sale. Fees for residential lettings arranged by the Group are recognised on execution of binding rental contracts between landlord and tenant.

(iv) Recharge of house managers' employment cost

Amounts collected from customers in relation to the employment of house managers and deputies to oversee individual developments managed by the Group are recognised as net of cost, where recharges equal costs incurred. The Group is considered to be an agent as it does not have exposure to significant risks and rewards associated with the rendering of this services.

1.8 Exceptional items

The Group classifies certain non-recurring charges or credits in a financial year that are not part of the underlying trading business, that have a material impact on the Group's financial results as 'exceptional items'. These are disclosed separately to provide a fair view of the financial performance of the Group.

1.9 Employee benefits

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

(i) Short-term benefits

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

(ii) Defined contribution pension plan

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

1 Accounting policies (continued)

1.9 Employee benefits (continued)

(iii) Annual bonus plan

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

1.10 Taxation

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

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end. Management periodically evaluates positions taken in tax returns with respect to situations in

(ii) Deferred tax

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

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

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

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

1 Accounting policies (continued)

1.11 Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values of the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

On acquisition, goodwill is allocated to cash-generating units ('CGU's') that are expected to benefit from the combination.

Goodwill held as at 31 December 2019 includes amounts which relate to business combinations that occurred prior to 1 January 2014. The Group has applied the optional exemption provided in FRS 102 35.10(a) and not applied section 19 'Business Combinations and Goodwill' to these business combinations. At the date of these business combinations, the expected useful lives of the goodwill was assessed as being 20 years. This goodwill continues to be amortised over the remaining useful economic life. For business combinations which occur after 1 January 2014, goodwill will be amortised over the expected useful life as assessed at the date of the business combination. Where the Group is unable to make a reliable estimate of useful life, goodwill is amortised over a period not exceeding 10 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the profit and loss account.

1.12 Intangible fixed assets other than goodwill

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following basis:

Software	straight-line over 3 years
Acquired customer lists	straight-line over 5 to 10 years

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefit;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

1 Accounting policies (continued)

1.12 Intangible fixed assets other than goodwill (continued)

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

1.13 Tangible fixed assets

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

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

Leasehold buildings	straight-line over period of lease
Office equipment, fixtures and fittings	straight-line over 3 to 5 years

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

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

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

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

1.14 Investment properties, including assets held for sale

The Group's interests in leasehold apartments within residential development sites are classified as investment properties and included within non-current assets.

Investment properties are initially recognised at cost, which for the Group was the fair value from acquisition in a business combination. Subsequent to initial recognition investment properties are recognised at fair value through profit and loss. The fair value of investment properties is determined using valuation techniques to estimate their current market values, taking into consideration the timing and impact of any encumbrances to sale.

From time to time the Group makes selected investment properties available for sale where the demand in a location warrants the cost of marketing and sales. Where the likelihood of sale within the next financial year is probable, the property is classified as held for resale and included within current assets, and is recognised at fair value less costs to sell.

1.15 Fixed asset investments

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

1 Accounting policies (continued)

1.16 Borrowing costs

All borrowing costs are recognised in the profit and loss account in the period in which they are incurred.

1.17 Leased assets

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

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the company's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

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

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

1.16 Impairment of non-financial assets

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

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

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

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in the profit and loss account. Goodwill is allocated on acquisition to the cash-generating unit expected to benefit from the synergies of the combination. Goodwill is included in the carrying value of cash-generating units for impairment testing. Any previous impairment of goodwill is not reversed.

1 Accounting policies (continued)

1.18 Inventories

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

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

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

1.19 Cash and cash equivalents

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

For the purpose of the consolidated statement of cash flows the Group adopts an accounting policy of classifying interest receipts as an investing cash flow and interest payments as a financing cash flow. Taxation cash flows are classified as operating cash flows.

1.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Provisions are measured based on the Group's best estimate at the reporting date of the expenditures expected to be required to settle the obligation discounted to the present value, where material.

1.21 Financial instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables, and cash and bank balances, are initially recognised at transaction price.

At the end of each reporting year financial assets measured at amortised cost are assessed for objective evidence of impairment with any impairment being charged to profit and loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank and shareholder's loans, amounts owed to fellow Group companies and bank overdrafts, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

1 Accounting policies (continued)

1.21 Financial instruments (continued)

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees and costs directly related to the issue of bank and shareholder's loans are recognised as transaction costs of the loan and are included within the calculation of the interest payable on the loan based on the effective interest rate method over the expected life of the loan. Bank and shareholder loans are classified as current or non-current based upon the amounts that the Group are contractually obliged to settle within twelve months of the reporting date.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire or are settled, or substantially all the risks and rewards of the ownership of the asset are transferred to another party.

(iii) Offsetting

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

(iv) Client monies held

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

1.1 Share capital

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

1.1.1 Related party transactions

The Group discloses transactions with related parties which are not wholly owned within the Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

2 Critical accounting judgements and estimation uncertainty

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

2 Critical accounting judgements and estimation uncertainty (continued)

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

Key accounting estimates and assumptions

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

(i) Impairment of intangible assets

The Group considers annually whether an indicator of goodwill impairment exists. Where an indication of impairment exists management are required to estimate the recoverable value of the cash-generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

(ii) Development related provisions

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

(iii) Deferred tax assets

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

(iv) Fair value of acquisition of Barratt Residential Asset Management Limited (BRAM)

The fair value of tangible and intangible assets acquired on the acquisition of BRAM involved the use of valuation techniques and the estimation of future cash flows to be generated over a number of years. The estimation of the fair values requires the combination of assumptions including revenue growth, sales mix and volumes, rental values and increases and customer attrition rates. In addition the use of discount rates requires judgement.

3 Turnover

An analysis of the group's turnover is as follows:

	2019 £'000	2018 £'000
Turnover by category		
Residential and commercial property management services	57,361	55,676
Monitoring and telecare	5,285	8,189
Other revenue	5,919	8,546
	68,565	72,411

All turnover incurred in monitoring and telecare and £2,295k (2018: £4,840k) in other revenue are from discontinued operations.

All turnover is generated in the UK.

4 Net gain/(loss) on investment properties

Net gain/(loss) from investment properties comprises:

	2019 £'000	2018 £'000
Gain/(loss) on disposal	159	(107)
Investment property fair value movement	-	73
	159	(34)

In 2019, the full portfolio of house manager flats were disposed of. The remaining investment properties relate to land lease titles, refer to note 16.

5 Net gain/(loss) on disposal of operations

On 30 August 2019, the Group entered into an agreement to dispose of its subsidiaries, Appello Limited, Appello Telehealth Limited, Cirrus Communication Services Limited, Careline UK Monitoring Limited and Call24Hour Limited. During the year the subsidiaries contributed post-tax profit of £4,507k (2018: loss £661k), which includes a gain on disposal of £4,327k recognised in the profit and loss account. The Group received consideration of £2,583k. The net liabilities at the date of disposal were £1,744k.

6 Exceptional items

	2019 £'000	2018 £'000
Transactional costs	6,704	2,709
Discontinued operations	220	-
Other exceptional items	317	154
	7,241	2,863

6 Exceptional items (continued)

Exceptional charges to the Group consist of transactional costs that relate primarily to one-off costs incurred from the change in the investor base including due diligence and restructuring costs. These costs were necessary for the transaction to proceed. Exceptional items for discontinued operations relate to the preparation cost for the demerger of Appello from the Knight Square Group. Other exceptional items largely relates to the integration cost of Barratt Residential Asset Management Limited, acquired on 15th March 2019, refer to note 29.

7 Operating profit/(loss)

Operating profit/ (loss) for the year is stated after charging/(crediting):

	2019 £'000	2018 £'000
Depreciation of owned tangible assets	2,453	4,115
Loss on disposal of tangible assets	7	6
Amortisation of intangible assets	3,066	2,599
Cost of inventories recognised as an expense	1,052	2,501
Stocks impairment losses recognised	4	36
Impairment of trade debtors reversed	(24)	(555)
Operating lease charges	3,481	3,004

8 EBITDA

Operating profit reconciles to EBITDA as follows:

	2019 £'000	2018 £'000
Operating profit	5,362	1,575
Depreciation of owned tangible assets	2,453	4,115
Amortisation of intangible assets	3,066	2,599
Other operating expense	-	2
Exceptional items	7,241	2,863
Gain/(loss) on disposal of operations	(4,327)	1,452
Net gain/(loss) on investment properties	(159)	34
EBITDA	13,636	12,640

Analysis of EBITDA:

	2019	2018
FirstPort (underlying EBITDA)	13,084	13,226
Group costs	(281)	(2,144)
Continuing operations	12,803	11,082
Discontinued operations - Appello	833	1,558
EBITDA	13,636	12,640

9 Auditors' remuneration

Fees payable to the Company's auditors and their associates:

	2019 £'000	2018 £'000
Fees payable to the Company's auditors for the audit of the Parent Company and the Group's Consolidated financial statements	46	44
Fees payable to the Company's auditor for other services:		
- The audit of the Company's subsidiaries	280	262
- Audit related assurance services	6	-
- Tax compliance services	95	78
- Tax advisory services	140	80
- Services relating to corporate finance transactions	516	603
- Other services	20	19
	1,103	1,086

10 Employees

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

	2019 Number	2018 Number
Office and management	949	1,008
House managers and deputies	2,250	2,140
	3,199	3,148

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	34,875	33,770
Social security costs	4,592	3,036
Other pension costs (note 27)	1,075	855
Total aggregate remuneration before capitalised costs	40,542	37,661
Less capitalised costs	(407)	(845)
Aggregate remuneration charged to profit and loss	40,135	36,816

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 therefore are not a cost to the Group on account of the Group being an agent for this transaction. These amounted to wages and salary costs of £37,003k (2018: £32,491k), social security costs of £2,705k (2018: £2,342k) and other pension costs of £1,030k (2018: £703k).

10 Employees (continued)

During the year ended 31 December 2019, the Group capitalised wages and salaries of £343k (2018: £748k), social security cost of £43k (2018: £77k) and other pension cost of £20k (2018: £20k). Capitalised wages forms part of the cost of internally developed software.

11 Directors' remuneration

	2019	2018
	£'000	£'000
Aggregate emoluments	1,702	880
	1,702	880

As at 31 December 2019, the number of directors for whom retirement benefits are accruing under defined contributions schemes was nil (2018: 2).

4 directors (2018: 4) were paid by the Group. In 2019, part of the 2 directors' emoluments were paid by the parent entity and are included in the amounts above. The remaining directors did not receive fees or salary from the Group. The emoluments disclosed above are from the date which the individual became a director of the Company to the date of resignation.

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

	2019	2018
	£'000	£'000
Aggregate emoluments	692	288
	692	288

Company

The Company has no employees (2018: nil).

12 Interest payable and similar expenses

Interest on financial liabilities measured at amortised cost:

	2019	2018
	£'000	£'000
Interest on bank loans and overdrafts	4,097	1,577
Interest on finance leases and hire purchase contracts	2	26
Interest on shareholder loans	530	3,359
Loan fee amortisation	968	392
	5,597	5,354

Debt issue costs, including loan amortisation fees, which are directly incurred in arrangement of borrowing facilities are included within the calculation of the effective interest rate on the borrowing, but are disclosed separately as the Group consider this information aids in the understanding of the total financing costs.

13 Tax on profit/loss

	2019	2018
	£'000	£'000
Current tax		
UK corporation tax on taxable profit for the current year	349	5,441
Adjustments in respect of prior years	(380)	(60)
Total current tax	(31)	5,381
Deferred tax		
Changes in tax rates	(9)	(2)
Origination and reversal of timing differences	(135)	(3,998)
Adjustments in respect of prior years	(115)	8
Total deferred tax	(259)	(3,992)
Total tax (credit)/charge for the year	(290)	1,389

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

	2019	2018
	£'000	£'000
Loss before taxation	(234)	(3,759)
Expected tax credit based on a corporation tax rate of 19% (2018: 19%)	(44)	(714)
Non-deductible expenses	1,196	1,768
Income not taxable	(826)	-
Adjustments in respect of prior years	(495)	(52)
Effect of changes in tax rates and laws	(9)	(2)
Group relief	(75)	-
Deferred tax not recognised	(37)	-
Depreciation on assets not qualifying for tax allowances	-	5
Gains / (rollover) relief	-	384
Total tax (credit)/charge for the year	(290)	1,389

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

Deferred tax balances at 31 December 2019 were measured at 17% (2018: 19%) for items that are expected to be charged or credited to the profit and loss account in the next financial year. Deferred tax liabilities recognised in respect of investment properties that are not expected to be sold in the next financial year have been recognised at 17% (2018: 17%).

14 Intangible assets

Group	Note	Goodwill	Software	Customer List	Total
		£'000	£'000	£'000	£'000
Cost					
At 1 January 2019		42,352	1,717	2,005	46,074
Additions		-	4,386	-	4,386
Additions from business combinations	29	1,469	-	3,953	5,422
Disposals		(3,742)	(378)	(112)	(4,232)
At 31 December 2019		40,079	5,725	5,846	51,650
Accumulated amortisation and impairment					
At 1 January 2019		14,181	75	523	14,779
Amortisation charge for the year		2,116	244	706	3,066
Disposals		(1,420)	(104)	(112)	(1,636)
At 31 December 2019		14,877	215	1,117	16,209
Carrying amount					
At 31 December 2019		25,202	5,510	4,729	35,441
At 31 December 2018		28,171	1,642	1,482	31,295

The software intangible assets include the Group's internally developed digital transformation program which is being developed for the Group's future operating growth requirements. Total development cost incurred in the current year was £4,246k and has been classified as WIP as at 31 December 2019. There have been no costs that were originally capitalised and then subsequently written off. These costs are capitalised as they are directly attributable to the development of the software. The software will begin amortisation when the development of the software is complete.

There were no research and development cost expensed in the profit and loss accounts.

The Company had no intangible assets at 31 December 2019 or 31 December 2018.

15 Tangible assets

Group	Leasehold buildings	Office equipment, fixtures & fittings	Total
	£'000	£'000	£'000
Cost			
At 1 January 2019	709	29,478	30,187
Additions	-	1,262	1,262
Additions from business combinations	-	1	1
Disposals	(585)	(4,094)	(4,679)
At 31 December 2019	124	26,647	26,771
Accumulated depreciation and impairment			
At 1 January 2019	522	24,361	24,883
Depreciation charged in the year	20	2,433	2,453
Disposals	(418)	(3,258)	(3,676)
At 31 December 2019	124	23,536	23,660
Carrying amount			
At 31 December 2019	-	3,111	3,111
At 31 December 2018	187	5,117	5,304

The net carrying amount of assets held under finance leases included in office equipment, fixtures and fittings is nil (2018: £429k).

The Company had no tangible assets at 31 December 2019 or 31 December 2018.

16 Investment properties held for resale

	Group 2019 £'000	Group 2018 £'000
At 1 January 2019		
Investment properties held for resale	1,668	26,765
Total investment properties	1,668	26,765
Disposals	(1,480)	(25,170)
Fair value movement	-	73
At 31 December 2019	188	1,668
At 31 December 2019		
Investment properties held for resale	188	1,668
Total investment properties	188	1,668

Investment property comprises the Group's interest in leasehold apartments within residential developments. The fair value of investment properties were determined using valuation techniques to estimate the current market values of the Group's investment property portfolio, taking into consideration the timing and impact of any encumbrance to sale. As at 31 December 2018, the fair values of the properties are based on a sale offer made on those properties. Substantially all investment properties held for sale as at 31 December 2018 were disposed in April 2019, receiving £1.6m in cash proceeds.

The remaining investment properties as at 31 December 2019, comprises of land lease titles which the Group is currently in search for a buyer.

17 Investments

	Note	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Investments in subsidiaries	35	-	-	960	960

Movements in investments
Company

	£'000
Cost	
At 1 January 2019 & 31 December 2019	960
Carrying amount	
At 31 December 2019	960
At 31 December 2018	960

The directors believe that the carrying value of the investments is not more than their recoverable amount as supported by their underlying assets.

18 Financial instruments

	2019 £'000	2018 £'000
Carrying amount of financial assets		
Trade debtors	1,557	2,336
Other debtors	886	2,778
Cash at bank and in hand	4,559	5,244
Accrued income	678	1,123
	7,680	11,481
Carrying amount of financial liabilities		
Trade creditors	2,160	2,362
Other creditors	2,122	1,923
Other taxation and social security	2,386	2,065
Accruals and deferred income	7,000	10,204
Finance leases	-	424
Bank loans	64,200	23,500
Shareholder loans - principal	-	12,940
Interest on shareholder loans	-	8,567
Deferred financing costs	(2,943)	(600)
	74,925	61,385

19 Inventories

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Raw materials and consumables	-	204	-	-
Long term contract balances				
- Net cost less foreseeable losses	-	558	-	-
Finished goods and goods for resale	-	36	-	-
	-	798	-	-

Inventory held as at 31 December 2018 was related to discontinued operations, hence there were no inventory held as at 31 December 2019. There were no significant differences between the replacement cost of inventories and its carrying amount. Inventories were stated after provisions for impairment of £26k in 2018.

20 Debtors

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	1,557	2,336	-	-
Corporation tax recoverable	593	165	-	-
Amounts owed by group undertakings	-	-	78	78
Amounts owed by parent undertakings	14,779	-	-	-
Deferred tax asset (note 26)	205	776	-	-
Other debtors	886	2,778	-	-
Prepayments and accrued income	2,508	3,404	-	-
	20,528	9,459	78	78

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

21 Client monies

Residents' net cash balances held in trust accounts at 31 December 2019 were £250,318k (2018: £232,950k). Cash balances held in joint accounts at 31 December 2019 were £6,307k (2018: £4,026k).

22 Creditors: amounts falling due within one year

		Group		Company	
		2019	2018	2019	2018
	Note	£'000	£'000	£'000	£'000
Trade creditors		2,160	2,362	-	-
Amounts owed to group undertakings		-	-	34	34
Other creditors		2,122	1,923	1	1
Corporation tax payable		-	3,286	-	-
Other taxation and social security		2,386	2,065	-	-
Finance leases	24	-	424	-	-
Accruals and deferred income		7,000	10,204	-	-
		13,668	20,264	35	35

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

23 Creditors: amounts falling due after more than one year

		Group		Company	
		2019	2018	2019	2018
	Note	£'000	£'000	£'000	£'000
Bank loans (net of financing costs)	24	61,257	22,900	-	-
Shareholder loans	24	-	12,940	-	-
Interest on shareholder loans	24	-	8,567	-	-
Finance leases	24	-	-	-	-
		61,257	44,407	-	-

24 Borrowings

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Bank loans	64,200	23,500	-	-
Shareholder loans - principal	-	12,940	-	-
Interest on shareholder loans	-	8,567	-	-
Deferred financing costs	(2,943)	(600)	-	-
Finance leases	-	424	-	-
	61,257	44,831	-	-
Payable within one year	-	424	-	-
Payable after one year	61,257	44,407	-	-
	61,257	44,831	-	-

24 Borrowings (continued)

Bank loans

At 10 April 2019, the Group undertook a refinancing of the business, repaying in full the existing RBS revolving credit facility and replacing it with a £81.7m facility comprising of;

Bank facility term schedule:

Group	Nominal Interest rate	Termination date	Repayment	Credit Facility £'000
Term loan facility B1	LIBOR + 2.75%	09-Oct-25	At termination date	12,100
Term loan facility B2	LIBOR + 6.5%	09-Apr-26	At termination date	52,100
Term loan acquisition/capex facility	LIBOR + 6.5%	09-Apr-26	At termination date	10,000
Revolving facility	LIBOR + 2.75%	09-Oct-25	At termination date	7,500
				81,700

The term loan acquisition/ capex facility and revolving facility remains undrawn as at 31 December 2019.

Interest on the facility is cash settled on a six monthly basis. A commitment fee is charged on the undrawn amount on a three monthly basis.

The facility is held by FirstPort Limited and is secured against the shares and assets of Knight Square Limited and its subsidiaries.

The financial covenants attached to term loan facility B1 and B2 were tested as at year end. Compliance with covenants in respect of the external bank debt has been assess to December 2021 with no breaches forecast.

Shareholder loans

On 10 April 2019, the entire principal, £12,940k, and accrued interest, £9,097k on the 9% Junior Loan Notes due on 2 March 2020 was repaid in full. On 12 April 2019, the Group's Junior Loan Notes were delisted from the International Stock Exchange (TISE).

Deferred financing costs

Deferred financing costs are amortised over the period of the revolving credit facility which makes up the effective interest rate.

24 Borrowings (continued)

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Future minimum finance lease payments:				
Not later than one year	-	427	-	-
Total gross payments	-	427	-	-
Less: finance charges	-	(3)	-	-
Carrying amount of liability	-	424	-	-

In 2018, the finance lease relates to certain items of plant and machinery. Leases included purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term was 36 months. All leases were on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The leases ended on 31 December 2019, no further finance leases were entered into during the year.

The finance lease were secured by a composite mortgage debenture over shares, rights and assets of Group subsidiaries.

25 Provisions for liabilities

	Note	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Development related provisions		538	677	-	-
		538	677	-	-

25 Provisions for liabilities (continued)

Movements on development related provisions:

Group	Development related provisions £'000
At 1 January 2019	677
Additional provisions in the year	975
Release of provisions this year	(67)
Utilisation of provision	(1,047)
At 31 December 2019	538

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

Whilst significant progress has been made in addressing these claims, and management continue to assess them on their merits, a provision of £538k has been recognised at the year end (2018: £677k). This is expected to be utilised over a period of up to five years, with an estimated £308k (2018: £558k) expected to be settled within the next financial year.

26 Deferred taxation

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

Group	Liabilities 2019 £'000	Liabilities 2018 £'000	Assets 2019 £'000	Assets 2018 £'000
Fixed asset timing differences	-	-	135	766
Short-term timing differences	(19)	-	-	198
Non- trading timing difference	-	-	60	-
Losses	-	-	61	64
Investment property	(32)	(252)	-	-
	(51)	(252)	256	1,028

26 Deferred taxation (continued)

	Group £'000	Company £'000
Movements in the year:		
Asset at 1 January 2019	776	-
Credit to profit and loss account	259	-
Deferred tax arisen from acquisition (note 29)	(671)	-
Deferred tax movement from disposal of subsidiary	(159)	-
Net asset at 31 December 2019	205	-

The net deferred tax liability expected to reverse in 2020 is £146k. This primarily relates to the reversal of timing differences on capital allowances.

The Group does not have any unrecognised deferred tax asset (2018: £768k for losses carried forward).

Company

The Company has no deferred tax provision at 31 December 2019 (2018: £nil).

27 Retirement benefit schemes

	2019 £'000	2018 £'000
Defined contribution schemes		
Charge to profit and loss account	1,075	855

The Group sponsors and contributes to a defined contribution scheme for its employees. Pension contributions outstanding and included in accruals at the year end amounted to £356k (2018: £262k).

28 Called up share capital and share premium account

	Group and company			
	Called up share capital		Share premium account	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Ordinary share capital				
Issued and fully paid				
91,714,163,933 Ordinary shares of £0.000001 each	92	-	911	-
0 (2018: 741,433) Ordinary shares of £0.000001 each	-	-	-	741
0 (2018: 183,567) B Ordinary shares of £0.000001 each (2018: £0.20)	-	37	-	147
0 (2018: 55,000) C Ordinary shares of £0.000001 (2018: £1) each	-	55	-	-
0 (2018: 12,500) D Ordinary shares of £0.000001 each	-	-	-	13
0 (2018: 10,000) G Ordinary shares of £0.000001 each	-	-	-	10
	92	92	911	911

In 2019, the Ordinary A, B, C, D and G shares were redesignated to Ordinary shares. The Ordinary shares carry one vote per share, the right to receive dividends and the right to a return of capital.

29 Business combinations

On 16 March 2019, the Group acquired 100% of the share capital of Barratt Residential Asset Management Limited for total consideration of £5,460k, paid in cash.

	Book Value	Adjustments	Fair Value
	£'000	£'000	£'000
Deferred income tax assets	9	-	9
Trade and other receivables	2,033	-	2,033
Cash and cash equivalents	734	-	734
Trade and other payables	(1,884)	-	(1,884)
Corporation tax payable	(175)	-	(175)
Tangible assets	1	-	1
Intangible assets	-	3,953	3,953
Deferred tax liability	-	(680)	(680)
	718	3,273	3,991
Goodwill			1,469
Total consideration			5,460

The consideration was satisfied by:

Cash	5,460

Contribution by the acquired business for the reporting period since acquisition:

Turnover	2,941
Profit	400

Upon acquisition, the business had net assets with a book value of £718k. An intangible asset relating to the acquired business's customer relationships was identified and its fair value was measured at £3,953k. A deferred tax liability of £680k has been recognised on the intangible assets which has been added to goodwill.

The goodwill of £1,469k from the acquisition is attributable to the expertise and experience of the workforce acquired, the customer relationships and economies of scale expected from combining the operations into the Group. Management have estimated the useful life of the goodwill to be 20 years.

The customer contracts intangible asset has been attributed a useful life of 10 years, as majority of the value generated is in the first 10 years of acquisition.

On 20 March 2019, the company's name changed to FirstPort Property Services No.5 Limited.

30 Operating lease commitments

At the reporting end date the Group and company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Within one year	1,400	1,033	-	-
Between one year and five years	1,027	1,452	-	-
In over five years	6	45	-	-
	2,433	2,530	-	-

31 Contingent liabilities

In 2019, the Group is party to a Group Debenture secured over all of its assets in favour of Lucid Trustee Services Limited as a Security Agent acting on behalf of NatWest and Pembertons. The Borrower is FirstPort Limited, a subsidiary company. The loan balance and accrued interest payable outstanding at the balance sheet date were £64,200k, excluding deferred financing costs and £1,022k respectively.

In 2018, the Group were party to a composite mortgage debenture secured over all of its assets in favour of the Royal Bank of Scotland. The Borrower was Knight Square Limited, a subsidiary company. The loan balance and accrued interest payable outstanding as at 31 December 2018 were £23,500k excluding deferred financing costs and £33k respectively. This has been repaid on the 10 April 2019.

A number of bank accounts maintained for developments under management (and included in Client Monies described in note 21) were overdrawn at 31 December 2019 amounting to £2k (2018: £6k). The Group have given unlimited guarantees on these amounts in the event of default.

32 Events after the balance sheet date

In early 2020, businesses around the UK have been impacted by COVID-19 and the UK Government measures taken to slow the spread of the pandemic. The Board has carefully reviewed the impact of these events on the Group and has taken steps to navigate these unprecedented circumstances whilst ensuring that suitable customer service demands are met. COVID-19 is a non-adjusting post balance sheet event for the purposes of the year ended 31 December 2019 and has been considered within the Going Concern assessment in note 1.4. The Board continue to consider the Company and Group as a going concern.

33 Related parties

Group

On 6 September 2019, Drive Bidco Limited acquired the majority shareholding of Knight Square Holdings Limited Group.

Electra Private Equity Partners 2006 Scottish LP and Epiris Club 2007 LP (formerly Electra Partners Club 2007 LP), both limited partnerships registered in England and Wales, are regarded as related parties due to their shareholding in the Company, their provision of shareholder loans to the Group, and their representation on the board of Directors, which gives them significant influence over the Company and Group up to 6 September 2019.

Chamonix Private Equity LLP, a limited liability partnership registered in England and Wales, is regarded as a related party due to its shareholding in the Company and its representation on the board of Directors, which gives it significant influence over the Company and Group up to 6 September 2019.

The key management personnel of the Group are considered to be the Directors of the Company and certain senior management employees of the Group. A number of the key management personnel have also provided funding to the Group via shareholder loans, and some are shareholders of the Company.

Transactions with related parties

During the year, advisory services of £184k (2018: £273k) were paid to Epiris Club 2007 LP and Electra Private Equity Partners 2006 Scottish LP, and £315k (2018:£461k) were paid to Chamonix Private Equity LLP.

Epiris Club 2007 LP, Chamonix Private Equity LLP and key management personnel were holders of Junior Loan Notes, which incurred an interest expense. The entire principal of the Junior Loan Notes and its accrued interest of the shareholder loan notes were fully repaid by the Group on 10 April 2019, refer to note 24. Details of these transactions and balances are shown below:

	2019	2018
	£'000	£'000
Epiris Managers LLP		
Shareholder loan notes	-	3,579
Interest accrued on Shareholder loan notes	-	2,386
Interest charged in the year	176	1,020
Epiris Club 2007 LP:		
Shareholder loan notes	-	7,158
Interest accrued on Shareholder loan notes	-	4,759
Interest charged in the year	353	2,026
Chamonix Private Equity LLP:		
Shareholder loan notes	-	2,002
Interest accrued on Shareholder loan notes	-	1,331
Interest charged in the year	99	288
Key management personnel:		
Shareholder loan notes	-	181
Interest accrued on Shareholder loan notes	-	86
Interest charged in the year	9	23

33 Related parties (continued)

Disposal of discontinued operations

On 30 August 2019, the Group disposed of the Appello subsidiary entities, Appello Limited, Appello Telehealth Limited, Call24Hour Limited, Careline UK Monitoring Limited and Cirrus Communication Systems Limited for a non-cash consideration of £2.6m. The disposal was to facilitate Appello's de-merger from the Group and to remained under the ownership of Epiris Managers LLP, Epiris Club 2007 LP and Chamonix Private Equity LLP, while the remainder of Knight Square Holdings Limited Group was acquired by Equistone Partners Europe Limited. Refer to note 11 for details on the disposal.

Remuneration of key management personnel

The remuneration of key management personnel, which includes those directors remunerated by the Knight Square Holdings Limited Group, is as follows:

	2019	2018
	£'000	£'000
Aggregate emoluments	2,026	1,041
Other pension costs	9	20
	2,035	1,061

The Group is exempt from disclosing other related party transactions as they are with other companies that are wholly owned by the group headed by Drive Topco Limited.

Company

The Company's only related party transactions in the year were with wholly owned subsidiaries and so have not been disclosed. All balances in the current and prior year were with wholly owned subsidiaries.

34 Controlling party

The immediate parent undertaking is Drive Bidco Limited.

In the opinion of the directors, the ultimate controlling party is funds managed by Equistone Partners Europe Limited. Equistone Partners Europe Limited is registered in England and Wales.

Drive Topco Limited, a company registered in the United Kingdom under registration number 12043031, is the parent undertaking of the largest group of undertakings for which group financial statements are prepared. Knight Square Holdings Limited is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2019.

The consolidated financial statements of Drive Topco Limited and Knight Square Holdings Limited are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ or from the Company's registered office at Queensway House, 11 Queensway, New Milton, Hampshire, UK, BH25 5NR.

35 Subsidiaries

Details of the company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking and country of incorporation or residency		Nature of business	% Held Direct	Indirect
Balfour Homes Management Limited	England & Wales No. 01986825	Non-trading		100.00
Brook Farm Court Management Limited	England & Wales No. 02368738	Dormant		100.00
Cavendish Management (Norwich) Limited	England & Wales No. 01831847	Dormant		100.00
Consort Property Management Limited	England & Wales No. 03479620	Dormant		100.00
Edgewood Management Services Limited	England & Wales No. 02948602	Non-trading		100.00
Edgewood Retirement Developments Limited	England & Wales No. 02086525	Non-trading		100.00
Ferndale Retirement Management Limited	England & Wales No. 01709679	Dormant		100.00
FirstPort Bespoke Property Services Limited	England & Wales No. 01623496	Property management		100.00
FirstPort HMF Limited	England & Wales No. 06776392	Investment property		100.00
FirstPort Insurance Services Limited	England & Wales No. 03479579	Insurance services		100.00
FirstPort Investment Properties Limited	England & Wales No. 04352393	Dormant		100.00
FirstPort Limited	England & Wales No. 04352396	Provision of shared services		100.00
FirstPort Operations PD Limited	England & Wales No. 06277828	Investment property		100.00
FirstPort Property Services Limited	England & Wales No. 02061041	Property management		100.00
FirstPort Property Services No.2 Limited	England & Wales No. 02231168	Property management		100.00
FirstPort Property Services No.3 Limited	England & Wales No. 04352415	Dormant		100.00
FirstPort Property Services No.4 Limited	England & Wales No. 07299764	Property management		100.00
FirstPort Property Services No.5 Limited	England & Wales No. 05876680	Property management		100.00
FirstPort Property Services Scotland Limited	England & Wales No. 03829468	Property management		100.00
FirstPort Retirement Limited	England & Wales No. 03479623	Dormant		100.00

35 Subsidiaries (continued)

Name of undertaking and country of incorporation or residency		Nature of business	% Held Direct	% Held Indirect
FirstPort Retirement Property Services Limited	England & Wales No. 01614866	Property management		100.00
FirstPort Secretarial Limited	England & Wales No. 05806647	Dormant		100.00
FirstPort Services Limited	England & Wales No. 09142979	Dormant		100.00
King George Court Management Limited	England & Wales No. 03175135	Non-trading		100.00
Knight Midco Limited	England & Wales No. 07927619	Holding company		100.00
Knight Square Limited	England & Wales No. 07925019	Provision of shared services	100.00	
Maclaren Management Services Limited	England & Wales No. 02142118	Dormant		100.00
Matterdale Gardens Management Limited	England & Wales No. 02405973	Non-trading		100.00
Meridian Homes Limited	England & Wales No. 01972727	Dormant		100.00
Meridian New Homes Limited	England & Wales No. 02682974	Dormant		100.00
Meridian Property Group Limited	England & Wales No. 02306958	Non-trading		100.00
Meridian Retirement Homes Limited	England & Wales No. 01885186	Dormant		100.00
Meridian Retirement Housing Services Limited	England & Wales No. 01833177	Dormant		100.00
Mint Property Management Limited	England & Wales No. 05643630	Non-trading		100.00
OM Nominee Services Limited	England & Wales No. 06695871	Dormant		100.00
OM Property Management Limited	England & Wales No. 09143096	Dormant		100.00
OM Property Management No.2 Limited	England & Wales No. 09375984	Dormant		100.00
Pegasus Court (Abergavenny) Management Limited	England & Wales No. 02285749	Dormant		100.00
Pegasus Court (Barnwood) Management Limited	England & Wales No. 02311505	Dormant		100.00

35 Subsidiaries (continued)

Name of undertaking and country of incorporation or residency		Nature of business	% Held Direct	Indirect
Pegasus Court (Bourton-on-the-Water) Management Limited	England & Wales No. 02285752	Dormant		100.00
Pegasus Court (Broadway) Management Limited	England & Wales No. 02392014	Dormant		100.00
Pegasus Court (Fleet) Management Limited	England & Wales No. 02318677	Dormant		100.00
Pegasus Court (Paignton) Management Limited	England & Wales No. 02392342	Dormant		100.00
Pegasus Court Cheltenham (Management) Limited	England & Wales No. 01867554	Dormant		100.00
Pegasus Court Hartley Wintney (Management) Limited	England & Wales No. 02129138	Dormant		100.00
Pegasus Court Management Limited	England & Wales No. 02516929	Dormant		100.00
Pegasus Thamesnorth Management Limited	England & Wales No. 02636137	Dormant		100.00
Pembertons Maintenance Trustees (Aldford House) Limited	England & Wales No. 05111218	Dormant		100.00
Pembertons Residential Limited	England & Wales No. 09375969	Dormant		100.00
Peverel Building Technologies Limited	England & Wales No. 09221891	Dormant		100.00
Peverel Management Services Limited	England & Wales No. 09142759	Dormant		100.00
Peverel Property Management Limited	England & Wales No. 09146176	Dormant		100.00
Peverel Scotland Limited	England & Wales No. 09145223	Dormant		100.00
Peverel Services Limited	England & Wales No. 09146279	Dormant		100.00
R.C. (Holdings) Limited	England & Wales No. 02968054	Holding company		100.00
R.C. Housing Association Limited	England & Wales No. IP28150R	Property management		100.00
Renaissance Management Services Limited	England & Wales No. 03404510	Non-trading		100.00

35 Subsidiaries (continued)

Name of undertaking and country of incorporation or residency		Nature of business	% Held Direct	% Held Indirect
Retirement Care (Southern) Limited	England & Wales No. 02486317	Non-trading		100.00
Retirement Care Group Ltd	England & Wales No. 02195300	Investment property		100.00
Retirement Care Limited	England & Wales No. 01706784	Dormant		100.00
Retirement Homesearch Limited	England & Wales No. 03829469	Specialist estate agent		100.00
Retirement Marketing Services Limited	England & Wales No. 02196442	Dormant		100.00
Sonata Insurance Services Limited	England & Wales No. 06704179	Dormant		100.00
Stonedale (2012) Limited	England & Wales No. 06544398	Dormant		100.00

The registered address for all subsidiaries is Queensway House, 11 Queensway, New Milton, Hampshire, UK, BH25 5NR.

All dormant companies are exempt from preparing individual accounts in accordance with s394A of Companies Act 2006.

36 Notes to the cash flow statement

Reconciliation of operating profit for the year to cash generated from operations:

	2019 £'000	2018 £'000
Operating profit for the year	5,362	1,575
Adjustments for:		
Loss on disposal of tangible fixed assets	7	6
(Profit)/Loss on disposal of investment property	(159)	107
(Profit)/loss on disposal of operations	(4,327)	1,452
Amortisation of intangible assets	3,066	2,599
Depreciation of tangible assets	2,453	4,115
Revaluation of investment properties	-	(73)
Movements in working capital:		
Increase in inventories	(15)	(222)
Decrease in debtors	4,487	289
(Decrease)/increase in creditors	(6,150)	762
(Decrease)/increase in provisions	(404)	170
Cash generated from operations	4,320	10,780

36 Notes to the cash flow statement (continued)

In 2019, included in cash generated from operations of £4,320k is cash outflow relating to exceptional items of £5,404k.

Analysis of changes in net debt:

	At 1 January 2019 £'000	Cash flows £'000	Acquired £'000	Disposed £'000	Non-cash changes £'000	At 31 December 2019 £'000
Cash at bank and in hand	5,244	2,857	734	(4,276)	-	4,559
Bank loans	(23,500)	(40,700)	-	-	-	(64,200)
Shareholder loans - principa	(12,940)	12,940	-	-	-	-
Interest on shareholder loan:	(8,567)	9,097	-	-	(530)	-
Deferred financing costs	600	3,311	-	-	(968)	2,943
Finance leases	(424)	424	-	-	-	-
	(39,587)	(12,071)	734	(4,276)	(1,498)	(56,698)