

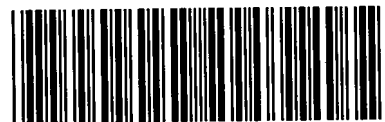
Carmelite Property Management Limited

Director's report and financial statements

Registered number 3182775

31 December 2014

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Carmelite Property Management Limited
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31 December 2014

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Carmelite Property Management Limited
Officers and professional advisors
31 December 2014

DIRECTOR

K Gozzett

SECRETARY

C Donaldson

REGISTERED OFFICE

Point 3
Haywood Road
Warwick
CV34 5AH

AUDITOR

KPMG Audit PLC
Chartered Accountants and Statutory Auditors
Birmingham, UK

Carmelite Property Management Limited
Director's Report
31 December 2014

The Director presents the annual report and the audited financial statements for Carmelite Property Management Limited, registered number 03182775 ("the Company") for the year ended 31 December 2014.

Principal activity

The principal activity of the Company is the management of a portfolio of onerous property lease obligations.

Business review

Financial overview

The Company made a loss before taxation for the year of £2,185,000 (loss of 2013: £37,846,000).

During the year the long leasehold interest in the Nottingham property was surrendered and the final 4 leases on properties expired (2013: 6 expired).

Going concern

The Company has prepared cash flow forecasts which indicate that, the Company has sufficient funds to meet its obligations for the next 12 months, commencing from the date these accounts are signed.

Consequently the Director has continued to adopt the going concern basis in preparing the annual report and financial statements.

Loans to Co-Investment Limited ("CIL")

The Company has an outstanding loan balance of £45,236,000 (2013: £41,397,000) with CIL, including accrued interest to the balance sheet date. The interest accrues at a floating rate of LIBOR plus 3% to ensure the return reflects market movements plus an adequate margin for risk. The Company's ability to require repayment on demand is limited to £250,000 for the duration of the loan, which is due to expire on 30 June 2015. During the year, an additional £2,300,000 was loaned and a further provision was created against the loan for £4,089,000, to reflect the amount that the Director has assessed as at 31 December 2014 as being recoverable.

Strategy

The strategy adopted by the Company during the year has been to continue to manage the property portfolio. The Company has also continued in the execution of the Carmelite Capital Limited group simplification programme by ensuring its remaining assets and those of its remaining subsidiary undertakings are realised and their liabilities settled.

Dividends

The Director does not recommend the payment of any dividends (2013: £nil).

Directors

The sole Director who held office during the year and subsequently is as follows:

K Gozzett

Carmelite Property Management Limited
Director's Report
31 December 2014

Financial risk management objectives and policies

The principal financial assets of the Company as at 31 December 2014 are loans to related parties, cash and trade and other receivables. Its principal financial liabilities are trade creditors and accruals and amounts due under onerous property lease obligations. The main risks arising from these financial instruments are credit risk, liquidity risk and interest rate risk. The Director has reviewed and set policies for managing each of these risks and they are summarised below.

Credit risk

The risk of impairments in value being required against these assets and policy for repayment of intra group loans is managed as part of the overall financial strategy for the Tusk Investments LP Inc Group.

Liquidity risk

The Company's objective is to maintain a balance between higher returns on longer term investments and flexibility for regular payments on the property portfolio through the preparation of detailed cash flows, ensuring the Group has sufficient cash available on demand to cover its net commitments under the property portfolio and working with the Tusk Group on the timing of loan repayments.

Interest rate risk

The exposure of the Company to interest rate fluctuations is limited to the return on its loans to related parties.

Political and charitable contributions

The Company made no charitable or political donations during the year (2013: £nil).

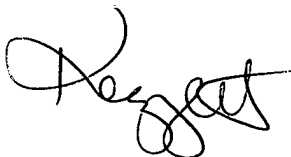
Auditor's

The Director who held office at the date of approval of this Director's report confirms that, so far as she is aware, there is no relevant audit information of which the company's auditor is unaware; and she has taken all the steps that she ought to have taken as a director to make herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The Company has elected to dispense with the obligation to appoint auditors annually and, accordingly, KPMG Audit PLC shall be deemed to be re-appointed as auditor for a further term under the provisions of section 487(2) of the Companies Act 2006.

By Order of the board



K Gozzett
Director

1 April 2015

Carmelite Property Management Limited
Statement of Director's responsibilities in respect of the Director's Report
and the financial statements
31 December 2014

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Carmelite Property Management Limited

We have audited the financial statements of Carmelite Property Management Limited for the year ended 31 December 2014 set out on pages 6 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Director's Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to not prepare a strategic report, in accordance with the small companies regime.



Stuart Smith (Senior Statutory Auditor)
for and on behalf of KPMG Audit PLC, Statutory Auditor

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham, B4 6GH
Date: 2 April 2015

Carmelite Property Management Limited
Profit and loss account
Year ended 31 December 2014

	Note	2014 £000	2013 £000
Net operating income	3	261	1,576
Operating profit		261	1,576
Amounts provided against intercompany loans	8	(4,089)	(40,897)
Amounts written back on investment	7	100	-
Interest receivable and similar income	4	1,543	1,475
Loss on ordinary activities before taxation		(2,185)	(37,846)
Tax on loss on ordinary activities	5	-	-
Loss for the financial year	12	(2,185)	(37,846)

The notes on pages 8 to 14 form an integral part of these financial statements.


All results relate to continuing operations.

There were no recognised gains or losses in the year or in the prior year other than the results for those years. Accordingly, no statement of total recognised gains and losses has been prepared.

Carmelite Property Management Limited
Balance sheet
Year ended 31 December 2014

	Note	2014 £000	2013 £000
Fixed assets			
Tangible fixed assets	6	-	-
Investments	7	100	-
		<u>100</u>	<u>-</u>
Current assets			
Debtors: due within one year	8	302	918
Debtors: due after one year	8	-	-
Cash at bank and in hand		433	3,495
		<u>735</u>	<u>4,413</u>
Creditors: amounts falling due within one year	9	(146)	(638)
Net current assets		<u>589</u>	<u>3,775</u>
Total assets less current liabilities		<u>689</u>	<u>3,775</u>
Provisions for liabilities and charges	10	(45)	(946)
Net assets		<u><u>644</u></u>	<u><u>2,829</u></u>
Capital and reserves			
Called up share capital	11	26,509	26,509
Capital redemption reserve	12	86,779	86,779
Profit and loss account	12	(112,644)	(110,459)
Shareholders' funds		<u><u>644</u></u>	<u><u>2,829</u></u>

These financial statements of Carmelite Property Management Limited, registered number 3182775, were approved by the Director on 1 April 2015 and were signed on its behalf by:


K Gozzett
Director

Carmelite Property Management Limited
Notes to the financial statements
Year ended 31 December 2014

1 Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group accounts. These financial statements present information about the Company as an individual undertaking and not about its group.

Under FRS 1 'Cash flow statements' the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Carmelite Capital Limited ('CCL'), the Company has taken advantage of the exemption contained in FRS 8 'Related party disclosures' and has therefore not disclosed transactions or balances with entities which form part of the CCL group (or investees of the group qualifying as related parties). The consolidated financial statements of CCL, within which this company is included, can be obtained from the address given in note 16.

Investments

Investments in subsidiary undertakings are stated at cost less any provision for impairment.

Investment Property

Investment in long leasehold properties not for occupation by the Company are classified as investment properties and are carried at fair value, with permanent changes in fair value included in the profit and loss account and temporary changes included in a revaluation reserve. Investment properties are valued every three years by Doherty Baines, a firm of qualified surveyors, using the Royal Institution of Chartered Surveyors guidelines.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 'Deferred tax'.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease. Rental payments for leases classified as onerous are charged directly to the provision held.

Dividends on shares presented within shareholder's funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Cash and liquid resources

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market.

2 Auditors remuneration

The fees for the audit of these financial statements were £11,250 (2013: £10,000). The Company also bore audit fees amounting to £10,250 (2013: £10,000) in respect of other members of the CCL Group.

Carmelite Property Management Limited
Notes to the financial statements
Year ended 31 December 2014

3 Loss on ordinary activities

Loss on ordinary activities after taxation is stated after charging:

	2014 £000	2013 £000
Property costs		
- decrease in provision for onerous property leases (see note 10)	(459)	(1,862)

4 Interest receivable and similar income

	2014 £000	2013 £000
Other interest receivable	4	9
On amounts receivable from related parties	1,539	1,466
	1,543	1,475

The interest received from related parties in the current year was all due from Co-Investment Limited (2013: £1,423,000). In the prior year, £43,000 was received from telent Limited.

5 Taxation

	2014 £000	2013 £000
<i>UK corporation tax</i>		
Adjustments in respect of prior years	-	-
Current tax charge on profit on ordinary activities	-	-
	2014 £000	2013 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before taxation	(2,185)	(37,846)
Current tax credit at 21.50% (2013: 23.25%)	470	8,799
<i>Effects of:</i>		
Capital allowances for year in excess of depreciation	3	4
Non-deductible/non-taxable	(858)	(9,508)
Profits covered by brought forward tax losses	385	705
Total current tax charge (see above)	-	-

A reduction in the UK corporation tax rate from 24% to 23% (effective 1 April 2013) was substantively enacted on 3 July 2012. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly.

The Company has tax losses carried forward which may give rise to reduced tax charges in the future of £5,588,000 (2013: £6,392,000). No deferred tax asset has been recognised in respect of these losses as the ability of the Company to obtain a future tax benefit is uncertain.

Carmelite Property Management Limited
Notes to the financial statements
Year ended 31 December 2014

6 Fixed assets

	Long Leasehold Property £000
Cost	
As at 1 January 2014	2,144
Disposal	(2,144)
	<hr/>
As at 31 December 2014	-
	<hr/>
 Impairment	
As at 1 January 2014	2,144
Disposal	(2,144)
	<hr/>
As at 31 December 2014	-
	<hr/>
 Net book value	
At 31 December 2014	-
	<hr/>
At 31 December 2013	-
	<hr/>

An agreement was reached with Nottingham County Council to surrender the long leasehold in February 2014 at a minimal cost to the Company.

Carmelite Property Management Limited
Notes to the financial statements
Year ended 31 December 2014

7 Fixed asset Investments

	Shares in group undertakings £000
Cost	
As at 1 January and 31 December 2014	1,614
	<hr/>
Provisions	
As at 1 January 2014	1,614
Amounts written back on investment	(100)
As at 31 December 2014	1,514
	<hr/>
Net book value	
At 31 December 2014	100
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At 31 December 2013	-
	<hr/>

Impairment of investments

The Director conducted an impairment review of the Company's investments. There has been an offer to purchase the intellectual property assets held by Thorn (IP) Limited and consequently, the carrying value of the investment in these companies has been increased to £100,000 (2013: £nil).

The undertakings in which the Company has an interest at the year-end are as follows:

	Country of incorporation	Principal activity	Shares	Percentage of shares held
Thorn (IP) Limited *	England	Holder of intellectual property rights	Ordinary	100
Thorn Limited	England	Dormant	Ordinary	100

* denotes investment held directly by the Company at 31 December 2014.

Carmelite Property Management Limited
Notes to the financial statements
Year ended 31 December 2014

8 Debtors

	2014 £000	2013 £000
Amounts due within one year		
Trade debtors	47	79
Other debtors	1	31
Prepayments	4	308
Amounts due from related parties	250	500
	<u>302</u>	<u>918</u>
Amounts due after one year		
Amounts due from related parties	-	-
	<u>-</u>	<u>-</u>

Amounts due from related parties within one year

The Company has an outstanding loan balance of £45,236,000 (2013: £41,397,000) with Co-Investment Limited, including accrued interest to the balance sheet date. The interest accrues at a floating rate of LIBOR plus 3% to ensure the return reflects future market movements plus an adequate margin for risk. The Company's ability to require repayment on demand is limited to £250,000 for the duration of the loan, which is due to expire on 30 June 2015. During the year, an additional £2,300,000 was loaned and a further provision was created against the loan for £4,089,000, to reflect the amount that the Director has assessed as at 31 December 2014 as being recoverable.

In addition to the amounts shown above, the Company is also owed £71,798,000 (2013: £71,798,000) by Carmelite Finance Limited. The loan is repayable on demand with no fixed maturity date and on 1 January 2009 it was re-designated as interest free. The Director has performed an impairment review to assess the recoverable amount which at 31 December 2014 was assessed to be £nil.

9 Creditors: amounts falling due within one year

	2014 £000	2013 £000
Trade creditors	3	95
Amounts owed to fellow group undertakings	1	1
Other creditors	31	104
Accruals and deferred income	111	438
	<u>146</u>	<u>638</u>

Carmelite Property Management Limited
Notes to the financial statements
Year ended 31 December 2014

10 Provisions for liabilities and charges

		Onerous leases £000
As at 1 January 2014		946
Utilised during the year	(442)	
Released unutilised	(498)	
Additional amounts provided during the year	39	
		<u>(901)</u>
As at 31 December 2014		<u><u>45</u></u>

Onerous leases

The Company was guarantor to 109 property lease agreements that were previously disposed of as part of the sale of the UK rental businesses in June 2000 to Box Clever Technology Limited ("BCTL"). During the year to 31 March 2004, certain BCTL subsidiaries entered into administrative receivership, and claims have subsequently been received in relation to certain of these guarantees.

As at 31 December 2014, the Company has taken an assignment of 55 (2013: 55) leases from certain subsidiaries of BCTL, in order to gain managerial control of these leases. These leases can be broken down as follows:

	Start of year	Surrendered	Expired	End of year
Remaining obligation	4	-	(4)	-
Acquired & Sold Freehold	3	-	-	3
Acquired & Retained Long Leasehold	1	(1)	-	-
Guaranteed & Reassigned	6	-	(6)	-
Surrendered	14	1	-	15
Expired	27	-	10	37
	<u>55</u>	<u>-</u>	<u>-</u>	<u>55</u>

The remaining provision held as at 31 December 2014 is for the remaining costs of recently expired leases, the reduction in the provision during the year is due to remeasurement of costs and closure of leases.

In addition to the leases listed above, there are 2 leases (2013: 8) that have been reassigned but have not yet expired and in respect of which the Group has a contingent liability under the Landlord and Tenant Act (Covenants) 1995, as it remains guarantor of the obligations and covenants transferred to the assignee for the remainder of the lease term. As of the date of approval of these financial statements, no landlords have sought to enforce their guarantee rights in respect of the leases assigned to third parties and therefore no provision has been made.

11 Called up share capital

	2014 £000	2013 £000
<i>Allotted, called up and fully paid</i>		
461,030,115 ordinary shares of 5.75 pence each	<u>26,509</u>	<u>26,509</u>

Carmelite Property Management Limited
Notes to the financial statements
Year ended 31 December 2014

12 Profit and loss account and other reserves

	Capital redemption reserve £000	Profit and loss account £000
At beginning of year	86,779	(110,459)
Loss for the year	-	(2,185)
	<hr/>	<hr/>
At end of year	86,779	(112,644)
	<hr/>	<hr/>

13 Contingent liabilities

Property lease guarantees

The Company has a contingent liability under the Landlord and Tenant Act (Covenants) 1995 (see note 10). The Company does not expect that the assignees of these leases will fail and consequently no provision has been made for any liability that may arise under these guarantees as it is unlikely that the landlords will have to enforce their contractual rights against the Company.

14 Operating leases

Annual commitments under non-cancellable operating leases for land and buildings are as follows:

	2014 £000	2013 £000
Company as lessee		
Operating leases which expire:		
Within one year	-	359
Between one and two years	-	-
	<hr/>	<hr/>
	-	359
	<hr/>	<hr/>

15 Related party transactions

The Company is a subsidiary of Carmelite Finance Limited ("CFL"). As at 31 December 2014, Tusk Investments No.2 LP Inc ("Tusk 2"), a Guernsey incorporated limited partnership acting through its general partner Tusk GP Limited ("Tusk GP"), a Guernsey incorporated limited company, held 100% of the issued share capital of Carmelite Capital Limited, the largest group of which the Company is a member and for which group financial statements are prepared.

The Director regards Tusk Investments LP Inc ("Tusk LP"), as the ultimate parent and ultimate controlling party which owns 100% of the issued share capital of Co-Investment Limited ("CIL").

The Director therefore considers Tusk GP, Tusk LP, CFL, CIL and Tusk 2 to be related parties for the year ended 31 December 2014.

Balances with these entities are disclosed in notes 8 of these financial statements, with significant movements described on page 1 of the Directors Report.

16 Parent undertakings

The Director regards Tusk Investments LP Inc, a Guernsey incorporated limited partnership, as the ultimate parent and ultimate controlling party.

CCL is the largest and smallest group of which the Company is a member and for which group financial statements are prepared. Copies of the financial statements are available to the public and may be obtained from the Secretary at Point 3, Haywood Road, Warwick, CV34 5AH.