

M (DGP2) LIMITED
Report and Financial Statements
Year ended 31 March 2014



M (DGP2) LIMITED

REPORT AND FINANCIAL STATEMENTS 2014

OFFICERS AND REGISTERED OFFICE

DIRECTORS

C G Donaldson
M A Webberley

SECRETARY

C G Donaldson

REGISTERED OFFICE

Point 3
Haywood Road
Warwick
CV34 5AH

AUDITOR

KPMG LLP
Chartered Accountants and Statutory Auditor
Birmingham, UK

M (DGP2) LIMITED

DIRECTORS' REPORT

The Directors present their annual report and the financial statements of the Company for the year ended 31 March 2014.

This Directors' report has been prepared in accordance with the special provisions relating to small companies under 415A of the Companies Act 2006.

PRINCIPAL ACTIVITIES AND FUTURE PROSPECTS

The Company is an investment holding company and the Directors anticipate that the Company will carry on this activity for the foreseeable future.

RESULTS AND DIVIDENDS

The Company made a loss after taxation of £71,670,000 during the year ended 31 March 2014 (2013: £nil). The Directors do not recommend the payment of a dividend (2013: £nil).

DIRECTORS

The Directors holding office since 1 April 2013 are listed below:

C G Donaldson
M A Webberley

AUDITOR

In the case of each of the persons who are Directors of the Company at the date when this report is approved:

- so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- each of the Directors has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information (as defined) 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 LLP 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



M A Webberley
Director

3 September 2014

M (DGP2) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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 M (DGP2) LIMITED

We have audited the financial statements of M (DGP 2) Limited for the year ended 31 March 2014 set out on pages 5 to 10. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on 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 March 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.


Opinion on other matter prescribed by the Companies Act 2006

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

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
- the directors were not entitled to not prepare a strategic report, in accordance with the small companies regime; or
- we have not received all the information and explanations we require for our audit.



Stuart Smith (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham, B4 6GH

Date: 5 September 2014

M (DGP2) LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 March 2014

	Note	2014 £000	2013 £000
Movements on investments in subsidiaries			
- Movement in provisions against fixed asset investments	5	(71,670)	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(71,670)</u>	<u>-</u>
Taxation on loss on ordinary activities	3	-	-
LOSS FOR THE FINANCIAL YEAR		<u><u>(71,670)</u></u>	<u><u>-</u></u>

The accompanying notes are an integral part of this profit and loss account.

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

All results derive from continuing operations.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

Year ended 31 March 2014

	2014 £000	2013 £000
Loss for the financial year	(71,670)	-
Opening shareholder's funds	<u>78,524</u>	<u>78,524</u>
Closing shareholder's funds	<u><u>6,854</u></u>	<u><u>78,524</u></u>

M (DGP2) LIMITED

BALANCE SHEET

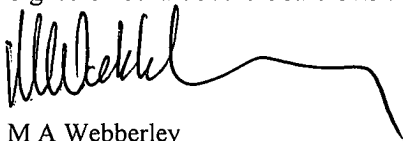
At 31 March 2014

	Note	2014 £000	2013 £000
FIXED ASSETS			
Investments - shares in Group undertakings	5	6,854	78,524
NET ASSETS		<u>6,854</u>	<u>78,524</u>
CAPITAL AND RESERVES			
Called up share capital	6	-	1,112,434
Share premium	6	-	225
Capital contribution		828,420	828,420
Profit and loss account	7	(821,566)	(1,862,555)
SHAREHOLDER'S FUNDS		<u>6,854</u>	<u>78,524</u>

The accompanying notes are an integral part of this balance sheet.

The Board of Directors approved and authorised for issue the financial statements of M (DGP2) Limited, registered number 3545363 on 3 September 2014.

Signed on behalf of the Board of Directors by:



M A Webberley
Director

M (DGP2) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2014

1. ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below which have been applied consistently during the current and preceding periods.

Accounting convention

With effect from 1 April 2010 the functional currency of the Company changed from USD to GBP. This was as a result of the redenomination of inter-company loans from USD to GBP and therefore the primary currency of the environment the Company operates in was no longer considered by the Directors to be USD.

Group accounts

The financial statements contain information about M (DGP2) Limited as an individual Company and do not contain consolidated financial information as the parent of a group. The Company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of **telent** Limited, a company registered in England.

Taxation

Taxation on profit on ordinary activities is that which has been paid or becomes payable in respect of profits for the year after taking into account adjustments in respect of prior period liabilities.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income or expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Investments

Investments are stated at cost less provision for any impairment.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

2. DIRECTORS, EMPLOYEES AND AUDITOR

The Directors are employed and remunerated by other companies in the **telent** Group. They do not receive any remuneration specifically for their services as Directors of the Company (2013: £nil). The Company had no employees during the year (2013: none). Fees payable to the Company's auditor for the audit of the annual accounts are £1,800 (2013: £1,800), and were borne by another Group company. There were no fees paid for non-audit work in either year.

M (DGP2) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2014

3. TAX ON LOSS ON ORDINARY ACTIVITIES

	2014 £000	2013 £000
Reconciliation of current taxation charge/(credit) for the year		
Loss on ordinary activities before tax	(71,670)	-
Tax credit on loss at UK statutory rate of 23% (2013: 24%)	(16,484)	-
Non taxable movement in provision against fixed asset investments	16,484	-
Current and total tax charge for the year	-	-

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. 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.

4. DEFERRED TAX

Deferred tax assets totalling £23 million (2013: £26 million) have not been recognised in respect of interest payable arising in 2004 and prior years as the Company is not sufficiently certain that it will be able to recover these assets within a relatively short period of time.

The deferred tax asset at 31 March 2014 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

5. INVESTMENTS - SHARES IN GROUP UNDERTAKINGS

	Cost £000	Provisions £000	Net Book Value £000
At 1 April 2013	78,524	-	78,524
Increase in provision	-	(71,670)	(71,670)
At 31 March 2014	<u>78,524</u>	<u>(71,670)</u>	<u>6,854</u>

As at 31 March 2014, the Company held 50% of the ordinary share capital of Regents Place LLC – an investment holding company incorporated in the United States of America.

The increase in provision was required as a result of a reduction in the net assets of Regents Place LLC.

M (DGP2) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2014

6. SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

Share capital	£000
Issued, called up and fully paid:	
At 1 April 2013 (845,000 ordinary shares of £1 each and 1,686,101,002 ordinary shares of \$1 each)	1,112,434
Capital reduction (see note below)	(1,112,434)
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At 31 March 2014 (100 ordinary shares of £1 each and 100 ordinary shares of \$1 each)	-
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 Share premium	 £000
At 1 April 2013	225
Share premium reduction (see note below)	(225)
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At 31 March 2014	-
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On 25 March 2014 the Company passed special resolutions to: (a) cancel 844,900 issued ordinary shares of £1 each, thus reducing its share capital by £844,900 down to £100, (b) cancel 1,686,100,902 issued ordinary shares of \$1 each, thus reducing its share capital by \$1,686,100,902 down to \$100, and, (c) reduce its share premium account by £225,544 leaving a balance on this account at 31 March 2014 of £nil.

The carrying value of the share capital was calculated by converting the amount reported in US Dollars at the rate on 1 April 2010 when the functional currency of the Company changed.

7. PROFIT AND LOSS ACCOUNT

	£000
At 1 April 2013	(1,862,555)
Loss for the year	(71,670)
Capital and share premium reduction (note 6)	1,112,659
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At 31 March 2014	(821,566)
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8. RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary of **telent** Limited. Advantage has been taken of the exemption permitted by Financial Reporting Standard 8 not to disclose transactions with entities that are part of the **telent** Group or investees of the Group qualifying as related parties.

M (DGP2) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2014

9. CASH FLOW STATEMENT

The Company is a wholly owned subsidiary of **telent** Limited, in whose consolidated financial statements, which are publicly available, the Company is included. The Company is therefore exempt from the requirement to prepare a cash flow statement under Financial Reporting Standard 1 (Revised).

10. ULTIMATE PARENT COMPANY

The Company's ultimate controlling party is Tusk Investments LP Inc., a Guernsey registered limited liability partnership. The Company's immediate parent and controlling company is **telent** Limited, which is the only parent undertaking to consolidate the financial statements of the Company.

Copies of the financial statements of **telent** Limited are available from the Secretary at Point 3, Haywood Road, Warwick, CV34 5AH.