

NOS 2 Limited

Annual report and financial statements

Registered number 05419208

For the year ended 30 September 2019



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Directors' report

The Directors present their Directors' report and financial statements for the year ended 30 September 2019.

Strategic Report

The company has taken advantage of the exemption under section 414B of the Companies Act 2006 not to present a Strategic Report.

Principal activities and business review

During the year ended 30 September 2019, the company's principal activity was the receipt of rental income and disposal proceeds from its investment property assets. However, during 2020 the directors took the decision to cease trading following the sale of the company's property. As at the date of approval of these financial statements, the company has sold the majority of its investment assets, the remaining 2 properties are targeted for sale during 2021. As the directors do not intend to acquire a replacement trade and intend to liquidate the company following the sale of the remaining properties and settlement of the remaining net assets, they have not prepared the financial statements on a going concern basis. The effect of this is explained in note 1.

Results and dividends

The company's loss for the year amounted to £989,305 (2018: £2,252,519) and turnover to £586,424 (2018: £776,428).

The directors do not recommend the payment of a dividend (2018: £nil).

Directors

The directors who held office during the year were as follows:

M Scannell Resigned 10 September 2019

T Mooney

A C Iannazzo

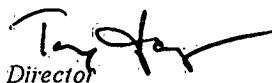
Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



Director

A C Iannazzo

11 June 2021

10th Floor
Bridgewater House
Whitworth Street
Manchester
M1 6LT

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 judgements and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so (as explained in note 1, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis).

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 are 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, and 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.



1 St Peter's Square
Manchester
M2 3AE

Independent auditor's report to the members of NOS 2 Limited

Opinion

We have audited the financial statements of NOS 2 Limited ("the company") for the year ended 30 September 2019 which comprise the profit and loss account, statement of changes in equity, balance sheet, cashflow statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Emphasis of matter - non-going concern basis of preparation

We draw attention to the disclosure made in note 1 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reasons set out in that note. Our opinion is not modified in respect of this matter.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover this report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of NOS 2 Limited (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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 take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 2, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Kathryn Hogg (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

11 June 2021

Profit and Loss Account
for the year ended 30 September 2019

	<i>Note</i>	2019 £	2018 £
Turnover		586,424	776,428
Property operating expenses		(715,696)	(1,364,320)
Other operating income		-	49,000
		<hr/>	<hr/>
Operating loss	2-3	(129,272)	(538,892)
Loss on the disposal of investment properties		(64,085)	(434,415)
Investment property revaluation	5	(970,506)	(1,279,453)
Interest receivable		811	241
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(1,163,052)	(2,252,519)
Tax on loss on ordinary activities	4	173,747	-
		<hr/>	<hr/>
Loss for the financial year		(989,305)	(2,252,519)
		<hr/>	<hr/>
Other comprehensive income			
Other comprehensive income for the year, net of income tax		-	-
		<hr/>	<hr/>
Total comprehensive loss for the year		(989,305)	(2,252,519)
		<hr/>	<hr/>

Notes on pages 9 to 16 form an integral part of these financial statements.

Statement of Changes in Equity
for the year ended 30 September 2019

	Called up Share capital	Profit and loss account	Total equity
	£	£	£
Balance at 30 September 2018	40,000,001	(35,812,227)	4,187,774
	<hr/>	<hr/>	<hr/>
Total comprehensive loss for the period	-	(989,305)	(989,305)
	<hr/>	<hr/>	<hr/>
Balance at 30 September 2019	40,000,001	(36,801,532)	3,198,469
	<hr/>	<hr/>	<hr/>

Notes on pages 9 to 16 form an integral part of these financial statements.

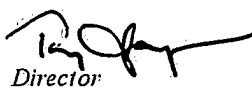
Balance Sheet
At 30 September 2019

	Note	2019 £	2018 £
Fixed assets			
Investment property	5	-	8,771,687
Current assets			
Investment property	5	5,080,352	-
Debtors	6	2,341,639	2,584,106
Cash at bank and in hand		1,246,035	1,037,015
		<u>8,668,026</u>	<u>3,621,121</u>
Creditors: amounts falling due within one year	7	(5,469,557)	(8,205,034)
Net current assets/(liabilities)		<u>3,198,469</u>	<u>(4,583,913)</u>
Total assets, less current liabilities		<u>3,198,469</u>	<u>4,187,774</u>
Net assets		<u><u>3,198,469</u></u>	<u><u>4,187,774</u></u>
Capital and reserves			
Called up share capital	8	40,000,001	40,000,001
Profit and loss account	9	(36,801,532)	(35,812,227)
Shareholders' funds		<u><u>3,198,469</u></u>	<u><u>4,187,774</u></u>

Notes on pages 9 to 16 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 11 June 2021 and were signed on its behalf by:

A C Iannazzo


Director

Company registered number: 05419208

10th Floor
Bridgewater House
Whitworth Street
Manchester
M1 6LT

Cash Flow Statement
For the year ended 30 September 2019

	Note	2019 £	2018 £
Cash flows from operating activities			
Loss for the year		(989,305)	(2,252,519)
Adjustments for:			
Taxation	5	(173,747)	-
Loss on disposal of investment property		64,085	434,415
Revaluation of investment property	5	970,506	1,279,453
Decrease in trade and other debtors	6	416,214	1,375,567
(Decrease) in trade and other creditors	7	(2,735,477)	(1,592,045)
		<u>(1,458,419)</u>	<u>1,497,390</u>
Net cash used in operating activities		<u>(2,447,724)</u>	<u>(755,129)</u>
Cash flows from investing activities			
Proceeds on disposal of investment property		2,661,630	1,513,000
Investment property capital expenditure		(4,886)	(77,655)
Net cash from investing activities		<u>2,656,744</u>	<u>1,435,345</u>
Net increase in cash and cash equivalents		209,020	680,216
Cash and cash equivalents at 1 October		1,037,015	356,799
Cash and cash equivalents at 30 September		<u><u>1,246,035</u></u>	<u><u>1,037,015</u></u>

Notes on pages 9 to 16 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 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 company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Going concern

In previous years, the financial statements have been prepared on a going concern basis. However, the directors intend to cease trading following the sale of the company's remaining property. Accordingly the directors have not prepared the financial statements on a going concern basis.

In preparing the financial statements on a non going concern basis, fixed assets, comprising Investment property, has been reclassified to current assets and has been valued at the lower of cost and net realisable value accordingly. Net realisable value reflects the post year end sales proceeds received. This resulted in an impairment charged on revaluation of £970,506.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: investment property measured in accordance with the revaluation model and investments in associates and joint ventures measured at fair value.

Notes (continued)

Accounting policies (continued)

1.2 Basic financial instruments

Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.3 Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition

- i. investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise; and
- ii. no depreciation is provided in respect of investment properties applying the fair value model.

1.4 Impairment excluding investment properties and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes (continued)

1 Accounting policies (continued)

1.5 Turnover

Turnover represents lease income net of incentives which is credited to the profit and loss account on a straight line basis over the period of the lease from investment properties located in the United Kingdom.

1.6 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and interest payable

Interest payable and similar charges include interest payable and finance leases recognised in profit or loss using the effective interest method.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.7 Taxation

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Key judgements and estimates note o/s – please insert a note – proposed drafting below

Notes (continued)

1 Accounting policies (continued)

1.8 Judgement and Estimates Estimates

The Company does not have any key assumptions concerning the future, or other key sources of estimation uncertainty in the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Investment property has been valued at the lower of cost and net realisable value as explained in Note 5, given the accounts are not prepared on a going concern basis. Net realisable value is confirmed by sales proceeds received at the date of approval of the financial statements and as such is not a source of estimation uncertainty.

Judgements

There are no significant judgements applied in the preparation of these financial statements.

2 Notes to the profit and loss account

	2019 £	2018 £
<i>Loss on ordinary activities before taxation is stated after charging/ (crediting):</i>		
Auditors remuneration		
Auditor's remuneration for audit services	10,000	10,000
Amounts receivable by the company's auditors in respect of:		
Tax compliance	7,800	7,800
Other tax advisory	-	-
(Loss) on disposal of investment properties	(64,085)	(434,415)
Revaluation of investment properties	(970,506)	(1,279,453)
Other operating income – lease enfranchisement	-	49,000
	<u> </u>	<u> </u>

3 Staff numbers and costs

The company had no employees. The Directors are remunerated by a separate Group company and received no remuneration during the year in respect of services provided to this entity. (2018: £nil)

Notes (continued)

4 Taxation

Analysis of charge in period

	2019	2018
	£	£
Tax on loss on ordinary activities	(173,747)	-

Factors affecting the tax charge for the current year

The current tax charge for the year is lower (2018: lower) than the standard rate of corporation tax in the UK 19%, 2018: 19%). The differences are explained below.

	2019	2018
	£	£
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(1,163,052)	(2,252,519)
Current tax at 19% (2018: 19%)	(220,980)	(357,953)
<i>Effects of:</i>		
Non-taxable revenues	-	-
Current year losses for which no deferred tax asset was recognised	-	-
Disallowable expenses	202,721	-
Adjustments in respect of prior years – payments for group relief	(144,053)	-
Group relief – losses surrendered	18,259	357,953
Group relief – payment received	(29,694)	-
Total current tax charge (see above)	(173,747)	-

Factors that may affect future current and total tax charges

In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the company's future tax charge.

Notes (continued)

5 Investment Property

	Investment properties	
	2019 £	2018 £
<i>Cost</i>		
At 1 October	8,771,687	11,920,900
Additions	4,886	77,655
Disposals	(2,725,715)	(1,947,415)
Revaluations	(970,506)	(1,279,463)
	<hr/>	<hr/>
At 30 September	5,080,352	8,771,687
	<hr/>	<hr/>
<i>Net book value</i>		
At 30 September	5,080,352	8,771,687
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As explained in note 1, the accounts are no longer prepared on a going concern basis. Investment property has been reclassified to current assets and an impairment charge of £970,506 recorded to value the investment property at the lower of cost and net realisable value. The netrealisable value reflects post year end sales proceeds, adjusted for costs to sell.

In the year, properties with a carrying value of £2,725,715 were sold for proceeds of £2,725,715. Associated costs of £64,085 were incurred on sale.

The property portfolio is subject to operating leases to third parties.

6 Debtors

	2019 £	2018 £
Trade debtors	100,113	402,832
Amounts owed by group undertakings	2,152,525	1,979,411
Other debtors	50,249	50,000
Taxation and social security	-	70,858
Prepayments and accrued income	38,752	81,005
	<hr/>	<hr/>
	2,341,639	2,584,106
	<hr/>	<hr/>

Notes (continued)

7 Creditors: amounts falling due within one year

	2019	2018
	£	£
Trade creditors	67,281	48,333
Amounts owed to group undertakings	4,977,858	7,727,858
Taxation and social security	37,769	-
Other creditors	256,718	209,549
Accruals and deferred income	129,931	219,294
	<u>5,469,557</u>	<u>8,205,034</u>

Amounts owed to group undertakings carry no interest and are repayable on demand.

8 Called up share capital

	2019	2018
	£	£
<i>Allotted, called up and fully paid</i>		
40,000,001 (2018: 40,000,001) Ordinary shares of £1 each	40,000,001	40,000,001
	<u>40,000,001</u>	<u>40,000,001</u>

Notes (continued)

9 Profit and loss account

	2019 £
At 1 October 2018	(35,812,227)
Loss for the financial year	(989,305)
	<hr/>
At 30 September 2019	(36,801,532)
	<hr/> <hr/>

10 Ultimate parent company and controlling party

The entire issued share capital of NOS 2 Limited is held by Farraday Limited, a company registered in Jersey. The ultimate parent company is Varde Partners Europe, and the company consider them to be the ultimate controlling party.

11 Related party transactions

The company had the following transactions, and held balances as at the year end date, with related parties as follows:

Amounts owed to group undertakings of £4,977,858 (2018: £7,727,858) due to Farraday Limited, of which repayments of £2,750,000 were made in the period.

Amounts owned by group undertakings of £2,152,155 (2018: £1,979,411) due from NOS 3 Limited of which additional loans of £172,744 were made in the period.

12 Post balance sheet events

Subsequent to the year end date, the COVID- 19 infection was declared a global pandemic. Given the company is currently divesting it's property portfolio, it has reflected the post year end sales values within the year end carrying value as a net realisable value adjustment as documented in note 5. As such there is not expected to be any further significant impact on the property valuations recorded at the balance sheet date as a result of volatility in market prices arising from the pandemic.

Subsequent to the year end date, the company has sold properties with a carrying value of £3,250,500 for proceeds of £3,664,360.