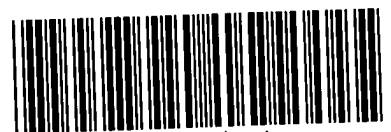


# **Carlyle Real Estate Advisors LLP**

**Reports and financial statements for the year ended 31 December 2017**

THURSDAY



A11 \*A7AIQ0S2\* 19/07/2018 #207  
COMPANIES HOUSE

## Contents

Corporate information	2
Members' report	3
Income statement	8
Statement of comprehensive income	8
Statement of financial position	9
Statement of cash flows	10
Reconciliation of movement in members' interest	10
Notes to the financial statements	11

## **Corporate information**

### **Designated members**

CREA UK, L.L.C.  
Mark Harris

### **Other members**

Benjamin Du Boulay – resigned 31 March 2017  
Ralf Erik Orbach – appointed 9 October 2017  
Peter Stoll  
Anssi Halonen  
Marc-Antoine Bouyer

### **Registered Office**

1 St James's Market  
LONDON  
SW1Y 4AH

### **Registered Number**

OC 357085

### **Auditors**

Ernst and Young LLP  
25 Churchill Place  
Canary Wharf  
LONDON  
E14 5EY

## Members' report

The members present their report and the audited financial statements of Carlyle Real Estate Advisors LLP for the year ended 31 December 2017.

### Principal activity, review of business and future developments

Carlyle Real Estate Advisors LLP (the "LLP") was incorporated on 11 August 2010 and began trading on 18 November 2010. The principal activity of the LLP is to provide investment advisory and business development services. The LLP's key financial performance is detailed in the table below:

	2017	2016
	£ 000's	£ 000's
Turnover	9,508	7,257
Profit for the financial year available for descretionary distribution amongst members	4,317	2,395
Members' other interests	5,712	4,424

### Designated members

The designated members who served during the year and to the date of this report are detailed on page 2.

### Policy with respect to members' drawings, subscription and repayment of members' capital

Any profits are shared among the members as decided by the designated member. At the discretion of the designated member, each member is entitled to take drawings from their capital account in advance of profits being allocated to this account.

New members may be requested to pay an initial capital contribution on admission. On withdrawal from the LLP, members are entitled to the return of their initial capital contributions. Capital contributions may not be withdrawn at any other time.

### Going concern

The LLP has sufficient financial resources together with a long term contract with an intermediate parent company, Carlyle Investment Management, L.L.C., that will allow the LLP to meet its financial obligations as they may fall due. As a consequence the designated members believe that the LLP is well placed to manage its business risks successfully despite the uncertain nature of future economic conditions.

The designated members have a reasonable expectation that the LLP has adequate resources to continue in operational existence for the foreseeable future being a period of at least 12 months from the date these FS are approved. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

### Auditors

Ernst & Young LLP continue to be appointed auditors of the LLP.

### Statement of disclosure of information to the auditors

Each of the designated members at the date of the approval of this report confirms that:

- so far as each designated member is aware, there is no relevant audit information of which the LLP's auditors are unaware; and
- each designated member has taken all the steps that they ought to have taken as a designated member to make themselves aware of any relevant audit information and to establish that the LLP's auditors are aware of that information.

## **Members' report (continued)**

to the members of Carlyle Real Estate Advisors LLP

### **Statement of designated members' responsibilities in respect of the financial statements**

The designated members are responsible for preparing the financial statements in accordance with applicable law and regulations.

Legislation applicable to limited liability partnerships requires the designated members to prepare financial statements for each financial year. Under that law the designated members have elected to prepare the financial statements in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102') and the Statement of Recommended Practice 'Accounting by Limited Liability Partnerships. Under the relevant legislation the designated members 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 LLP and of the profit or loss of the LLP for that period.

In preparing those financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 LLP will continue in business.

The designated members are responsible for keeping proper accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that the financial statements comply with the Companies Act 2006 as modified by the Limited Liability Partnerships (Financial statements and Audit) (Application of Companies Act 2006) Regulations 2008. They are also responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the members and signed on their behalf:



.....  
Mark Harris

Designated Member

19 March 2018

## Independent auditor's report

to the members of Carlyle Real Estate Advisors LLP

### Opinion

We have audited the financial statements of Carlyle Real Estate Advisors LLP for the year ended 31 December 2017 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Reconciliation of Movement in Members' Interests and the related notes 1 to 13, including a summary of significant accounting policies. 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), including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland.

In our opinion the financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Use of our report

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied by The Limited Liability Partnerships. Our audit work has been undertaken so that we might state to the 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 limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Independent auditor's report (continued)**

**to the members of Carlyle Real Estate Advisors LLP**

### **Conclusions relating to going concern**

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

- the members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the limited liability partnership'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.

### **Other information**

The other information comprises the information included in the members' report set out on pages 2-4 other than the financial statements and our auditor's report thereon. The members are responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 as applied to limited liability partnerships 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
- we have not received all the information and explanations we require for our audit.

## **Independent auditor's report (continued)**

to the members of Carlyle Real Estate Advisors LLP

### **Responsibilities of members**

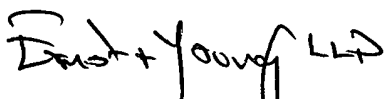
As explained more fully in the Members' Report set out on page 4, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the partnership'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 members either intend to liquidate the partnership or to cease operations, or have no realistic alternative but to do so.

### **Auditor's 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 auditor's 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 Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



Ahmer Huda (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP (Statutory Auditor)  
London  
23 March 2018



## Income statement

for the year ended 31 December 2017

	Note	2017 £ 000's	2016 £ 000's
Turnover	2	9,508	7,257
Administrative expenses		(3,031)	(2,677)
<b>Operating profit</b>	3	<b>6,477</b>	<b>4,580</b>
Interest receivable and similar income		-	1
Foreign exchange gains/(losses)		184	(222)
<b>Profit for the financial year before members' remuneration and profit share</b>		<b>6,661</b>	<b>4,359</b>
Members' remuneration charged as an expense	4	(2,344)	(1,964)
<b>Profit for the financial year available for descretionary distribution amongst members</b>		<b>4,317</b>	<b>2,395</b>

All amounts relate to continuing activities.

## Statement of comprehensive income

for the year ended 31 December 2017


	2017 £ 000's	2016 £ 000's
Profit for the financial year available for discretionary distribution amongst members	4,317	2,395
<b>Total comprehensive income for the year</b>	<b>4,317</b>	<b>2,395</b>

## Statement of financial position

at 31 December 2017

	Note	2017 £ 000's	2016 £ 000's
<b>Fixed assets</b>			
Tangible assets	5	-	1
<b>Total</b>		<u>-</u>	<u>1</u>
<b>Current assets</b>			
Debtors	6	8,725	5,417
Cash and cash equivalents	8	491	279
<b>Total assets</b>		<u><b>9,216</b></u>	<u><b>5,697</b></u>
<b>Creditors: amounts falling due within one year</b>	7	(3,504)	(1,273)
<b>Net current assets</b>		<u><b>5,712</b></u>	<u><b>4,424</b></u>
<b>Net assets</b>		<u><b>5,712</b></u>	<u><b>4,424</b></u>
<b>Members' other interests</b>			
Members' capital		868	803
Other reserves		4,844	3,621
<b>Total</b>		<u><b>5,712</b></u>	<u><b>4,424</b></u>
<b>Memorandum of members' total interests</b>			
Amounts due to members		1,030	426
Members' other interests		5,712	4,424
<b>Members' total interests</b>		<u><b>6,742</b></u>	<u><b>4,850</b></u>

The amounts were approved by the designated members on 19 March 2018:



Mark Harris  
Designated Member

## Statement of cash flows

for the year ended 31 December 2017

	Note	2017 £ 000's	2016 £ 000's
Net cash flow from operating activities	8 a)	2,901	1,724
Net cash flow from investing activities	8 b)	-	1
Net cash flow from financing activities	8 c)	(2,689)	(1,943)
Increase/(decrease) in cash in the year		<u>212</u>	<u>(218)</u>

## Reconciliation of movement in members' interest

for the year ended 31 December 2017

	Members' Capital	Other Reserves	Total
	£ 000's	£ 000's	£ 000's
<b>At 1 January 2016</b>	537	2,996	3,533
Capital contributions	266	-	266
Profits available for division among members	-	2,395	2,395
Distributions to individual members	-	(2,050)	(2,050)
Distributions to corporate member	-	(159)	(159)
Fair value decrease on shares vested in the year	-	439	439
<b>Members' interests at 31 December 2016</b>	<u>803</u>	<u>3,621</u>	<u>4,424</u>
Capital contributions	65	-	65
Profits available for division among members	-	4,317	4,317
Distributions to individual members	-	(2,601)	(2,601)
Distributions to corporate member	-	(153)	(153)
Fair value increase on shares vested in the year	-	(340)	(340)
<b>Members' interests at 31 December 2017</b>	<u>868</u>	<u>4,844</u>	<u>5,712</u>

## Notes to the financial statements

at 31 December 2017

### 1. Significant accounting policies

#### *(a) Basis of preparation*

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102') the Companies Act 2006 as applied by LLPs and the Statement of Recommended Practice 'Accounting by Limited Liability Partnerships'.

The Designated Members have determined the LLP is not a financial institution as defined by FRS 102.

#### *(b) Going concern*

The financial statements have been prepared on the going concern basis, which assumes that the LLP will continue in operational existence for the foreseeable future (being a period of at least 12 months from the date these financial statements were approved) and be able to meet its liabilities as they fall due.

#### *(c) Tangible fixed assets*

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computer equipment and software	– 33 1/3% per annum straight-line
---------------------------------	-----------------------------------

#### *(d) Turnover*

All revenue streams are recognised to the extent that the LLP obtains the right to consideration in exchange for its performance of its obligations. Revenue is accounted for on an accruals basis and is measured when it crystallises at the fair value of the consideration for an arm's length transaction, excluding discounts, rebates, VAT and other sales taxes or duty.

#### *(e) Taxation*

Taxation of the proportion of the LLP's profits allocated to each member is the responsibility of each member. Consequently neither current taxation nor related deferred taxation has been accounted for in these financial statements.

#### *(f) Foreign currencies*

The functional and presentational currency of the LLP is GBP. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the income statement.

#### *(g) Pensions*

The LLP operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the income statement in the period they are payable.

## Notes to the financial statements (continued)

at 31 December 2017

(h) *Equity-based compensation*

Compensation expense relating to the issuance of equity-based awards to the LLP's members and employees is measured at fair value on the grant date. The compensation expense for awards that vest over a future service period is recognised over the relevant service period on a straight-line basis, adjusted for estimated forfeitures of awards not expected to vest. The compensation expense for awards that do not require future service is recognised immediately. Cash settled equity-based awards are classified as liabilities and are re-measured at the end of each reporting period. Equity-based compensation expenses are shown within administrative expenses on the income statement.

(i) *Key judgements and estimates*

In applying the LLP's accounting policies, the members may be required to make judgements and estimates that could impact the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The members consider the following to be significant accounting judgements made during the year:

- Classification of member's remuneration as discretionary or fixed remuneration
- Estimation of equity compensation

The members' estimates are based on the evidence available at the time; including historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such estimates, the actual results and outcomes may differ. Estimates are reviewed on an on-going basis and revisions to accounting estimates are recognised in the year in which the estimate is revised.

### 2. Turnover

Turnover principally arises through an investment advisory agreement and a business development services agreement with Carlyle Investment Management, L.L.C, which is incorporated in the U.S.

### 3. Operating profit

This is stated after charging:

	2017 £ 000's	2016 £ 000's
Auditor's remuneration		
- audit services	16	15
- taxation services	15	13
	<u>31</u>	<u>28</u>
Depreciation charges	1	1

## Notes to the financial statements (continued)

at 31 December 2017

### 4. Members and employees

	Note	2017 £ 000's	2016 £ 000's
Members' remuneration charged as an expense		2,344	1,964
Wages and salaries		1,518	1,179
Social security costs		169	152
Other costs		211	191
Equity-based compensation	10	32	202
		<u>4,274</u>	<u>3,688</u>

The highest paid member received £1,221,000 (2016: £994,000) as remuneration from the LLP during the year.

The average monthly number of members and employees during the year was:

	2017 No.	2016 No.
Members	5	4
Employees	8	6

### 5. Tangible fixed assets

	Computer equipment and software £ 000's
<i>Cost:</i>	
At 1 January 2017	10
Disposals	-
<b>At 31 December 2017</b>	<u>10</u>
<i>Depreciation:</i>	
At 1 January 2017	9
Charge during the year	1
<b>At 31 December 2017</b>	<u>10</u>
<i>Net book value:</i>	
<b>Net book amount at 31 December 2017</b>	<u>-</u>
Net book amount at 31 December 2016	<u>1</u>

## Notes to the financial statements (continued)

at 31 December 2017

### 6. Debtors

	2017 £ 000's	2016 £ 000's
Receivables from affiliates	8,708	5,411
Prepayments and accrued income	17	6
	<u>8,725</u>	<u>5,417</u>

Receivables from affiliates are unsecured, interest free and due on demand.

### 7. Creditors: amounts falling due within one year

	2017 £ 000's	2016 £ 000's
Payable to affiliates	1,839	296
Accruals	616	540
Other taxes and social security	19	11
Distribution payable to members	1,030	426
	<u>3,504</u>	<u>1,273</u>

Payables to affiliates are unsecured, interest free and payable on demand.

## Notes to the financial statements (continued)

at 31 December 2017

### 8. Notes to the statement of cash flows

	2017 £ 000's	2016 £ 000's
a) Operating profit to net cash flow from operating activities		
Operating profit	6,477	4,580
Depreciation	1	1
Increase in debtors	(3,308)	(400)
Increase/(decrease) in creditors	2,231	(711)
Foreign exchange gain/(loss)	184	(221)
Fair value (increase)/decrease on shares vested in year	(340)	439
Members distributions charged as an expense	(2,344)	(1,964)
<b>Net cash flow from operating activities</b>	<b>2,901</b>	<b>1,724</b>
b) Investing activities		
Interest received and similar income	-	1
<b>Net cash flow from investing activities</b>	<b>-</b>	<b>1</b>
c) Financing activities		
Capital contributions	65	266
Distributions paid to members	(2,601)	(2,050)
Distributions paid to corporate member	(153)	(159)
<b>Net cash flow from financing activities</b>	<b>(2,689)</b>	<b>(1,943)</b>
<b>Total cash flows during the year</b>	<b>212</b>	<b>(218)</b>
d) Analysis of net funds		
Opening balance	279	497
Cash flows	212	(218)
<b>Cash and cash equivalents</b>	<b>491</b>	<b>279</b>



## Notes to the financial statements (continued)

at 31 December 2017

### 9. Pension

The LLP operates a defined contribution pension scheme for its employees and during the year it contributed £22,000 (2016: £30,000). The assets of the scheme are held separately from those of the company in an independently administered fund.

### 10. Equity-based compensation

In 2012 the entity that the designated members consider to be the ultimate controlling party listed on the NASDAQ stock exchange. During the year certain employees have been granted common units in that entity.

The table below details the impact of equity based compensation that has been charged as an expense to administrative expenses:

	2017 £ 000's	2016 £ 000's
<b>Charged to administrative expenses</b>		
Equity settled	32	202
	<u>32</u>	<u>202</u>

The number of common units granted and the weighted average fair value at measurement date is detailed in the table below. The currency amounts in the table below are not stated in thousands but in units and sub-units.

	2017 No.	2016 No.
<b>Units granted</b>		
Equity settled		
Outstanding at 1 January	10,513	13,411
Granted during the year	1,013	2,669
Forfeited during the year	(4,935)	-
Vested during the year	(3,145)	(5,567)
Transferred during the year	-	-
Outstanding at 31 December	<u>3,446</u>	<u>10,513</u>

The vesting requirement is that employees granted equity-based compensation are employed at the date of vesting. The maximum vesting term outstanding is four years.

## Notes to the financial statements (continued)

at 31 December 2017

### 10. Equity-based compensation (continued)

	2017 £	2016 £
<b>Weighted average fair value at measurement date</b>		
Equity settled	18.10	18.27
Cash settled	-	-

The common units granted to employees and members are publically traded and observable market prices have been used when determining the fair value of the awards. The granted awards generally do not give rise to the right to receive distributions from the publically traded partnership and therefore expected related distribution income has been disregarded when determining the fair value of the awards. The LLP has calculated the weighted average fair value at measurement date on the basis of grant values translated at the year-end spot rate.

## Notes to the financial statements (continued)

at 31 December 2017

### 11. Related party transactions

There were no transactions with related parties other than with the Members and the parties disclosed below. Movements on Members' capital and other reserves are set out in the Reconciliation of Movement in Members' interests.

The table below details the impact of related party transactions in the income statement:

		2017 £ 000's	2016 £ 000's
<i>Turnover</i>			
Carlyle Investment Management, L.L.C	Advisory fees	9,508	7,257
<i>Administrative expenses paid by CECP Advisors LLP</i>			
on behalf of CREA LLP		1,698	1,343

As at 31 December 2017, the LLP had the following balances with group affiliates that are unsecured, payable on demand and are not subject to interest:

		2017 £ 000's	2016 £ 000's
<i>Amounts due from affiliated entities</i>			
Carlyle Investment Management, L.L.C.		8,684	5,411
Carlyle Real Estate SGR SpA		24	-
		<b>8,708</b>	<b>5,411</b>
<i>Amounts due to affiliated entities</i>			
The Carlyle Group Employee Co, L.L.C.		43	198
CECP Advisors LLP		1,796	98
		<b>1,839</b>	<b>296</b>

### 12. Controlling party

The immediate controlling party and the principal member is CREA UK, L.L.C. which is incorporated in Delaware, USA. The ultimate controlling party is considered to be The Carlyle Group, L.P. which is also incorporated in Delaware, USA, and is listed on the NASDAQ stock exchange (ticker: CG) for which financial statements are publically available.

## **Notes to the financial statements (continued)**

at 31 December 2017

### **13. Commitments**

The LLP has not engaged in any operating or financial commitments in either financial year. The property lease commitment is held with a fellow subsidiary which then recharges a proportion of the annual costs to the LLP.