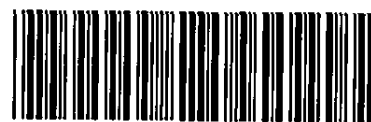


Bizspace Southern Limited

Report and Financial Statements

For year ended 31 December 2009

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BIZSPACE SOUTHERN LIMITED

REPORT AND FINANCIAL STATEMENTS 2009

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BIZSPACE SOUTHERN LIMITED

REPORT AND FINANCIAL STATEMENTS 2009

OFFICERS AND PROFESSIONAL ADVISERS

Directors

G Evans
P Gubb
M Megan
H Wright

Secretary

G Evans

Registered office

Sovereign House
1 Albert Place
Finchley
N3 1QB

Bankers

Barclays Bank PLC
Pall Mall Corporate Banking Centre
50 Pall Mall
London
SW1A 1QA

Solicitors

Shoosmiths
Lock House
Castle Meadow Road
Nottingham
NG2 1AG

Independent valuers

DTZ
1 Curzon Street
London
W1A 5PZ

Auditors

Deloitte LLP
Chartered Accountants and Registered Auditors
Southampton, United Kingdom

DIRECTORS' REPORT

The directors present their annual report on the affairs of the company together with the audited financial statements for the year ended 31 December 2009. These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime under part 15 of the Companies Act 2006.

Principal activity

The principal activity of the company is the provision of managed workspace. From 30 November 2008 one of its three properties formed part of an investment in Bizspace Limited Partnership.

Review of the Business and Going Concern

Profit for the year ended 31 December 2009 was £134k (2008: £248k). The occupancy of the two sites managed by Bizspace Southern Ltd as at year end was 91.56% for Didcot and 79.35% for London Colney.

The company is part of the HXRUK II Limited Group (the "group") and as such is dependent upon the availability of group finance to continue in operation. During the period the directors of the group were in negotiation with the bank syndicate to renegotiate the loan facility after breaching the banking covenants in the previous period. These negotiations have now been successfully concluded with the revised loan facility agreement being signed by the group's directors on 18 June 2010. Following this successful conclusion of the group's funding arrangements the company has received confirmation from group that the funding necessary for the company's operations will be made available to the company for the foreseeable future and the directors are also satisfied that the group will be able to meet the requirements of the covenant tests of the newly provided group loan facilities for the foreseeable future.

As a result the directors are satisfied that the company remains a going concern and have prepared these accounts on the basis that the company is a going concern.

Results and dividends

The company holds an interest in the Bizspace Partnership. The results for the year are set out in the profit and loss account on page 6.

Directors

The present membership of the board is set out on page 1. All directors served throughout the year.

Directors' interests

None of the directors had any interests in the share capital of the company during the year.

Charitable contributions

The company did not make any charitable donations in the current year (2008: £nil).

Provision of information to auditors

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 by the Companies Act 2006) of which the company's auditors are 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 auditors are aware of that information.

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

DIRECTORS' REPORT (CONTINUED)

Auditors

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them has been passed

Approved by the Board of Directors and signed on behalf of the Board on 24 June 2010

A handwritten signature in black ink, appearing to be 'G Evans', with a stylized, cursive script.

G Evans
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual 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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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, 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BIZSPACE SOUTHERN LIMITED

We have audited the financial statements of Bizspace Southern Limited for the year ended 31 December 2009 which comprise the profit and loss account, the balance sheet and the related notes 1 to 12. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 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 auditors' 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 auditors

As explained more fully in the Directors' Responsibilities Statement, 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 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

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 2009 and of its profit 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 matters 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
- we have not received all the information and explanations we require for our audit.



Andrew Gordon (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Southampton, United Kingdom
25 June 2010

BIZSPACE SOUTHERN LIMITED**PROFIT AND LOSS ACCOUNT**
For year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Turnover	1,2	400	511
Cost of sales		(263)	(263)
Gross profit		<u>137</u>	<u>248</u>
Administrative expenses		(3)	-
Profit on ordinary activities before taxation		<u>134</u>	<u>248</u>
Tax credit on profit on ordinary activities	4	-	-
Profit on ordinary activities after taxation		<u>134</u>	<u>248</u>

The trading in both the current year and prior period is derived from continuing activities

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Profit for the financial year		134	248
Unrealised deficit on revaluation on investment properties	5	(1,053)	(505)
Total recognised gains and losses for the year		<u>(919)</u>	<u>(257)</u>

BIZSPACE SOUTHERN LIMITED

BALANCE SHEET As at 31 December 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Investment properties	5	906	1,959
		<u>906</u>	<u>1,959</u>
Current assets			
Debtors	7	14	4,367
Debtors amounts falling due within one year		4,055	-
Cash at bank and in hand		-	-
		<u>4,069</u>	<u>4,367</u>
Creditors: amounts falling due within one year	8	(118)	(550)
Net current assets		<u>3,951</u>	<u>3,817</u>
Net Assets		<u>4,857</u>	<u>5,776</u>
Capital and reserves			
Called up share capital	9	1	1
Share premium account	10	1,249	1,249
Profit and loss account	10	1,263	1,129
Revaluation reserve	10	(568)	485
Other reserve	10	2,912	2,912
Equity shareholders' funds		<u>4,857</u>	<u>5,776</u>

These financial statements of Bizspace (NE) Limited, registered number 04590957 were approved by the Board of Directors on 24 June 2010



G Evans
Director

NOTES TO THE ACCOUNTS

For year ended 31 December 2009

1. ACCOUNTING POLICIES

The principal accounting policies, which have been applied consistently throughout the current year and prior year, are summarised below

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and have been prepared on the going concern basis. As set out in the directors report on page 2 the group funding facilities have been renegotiated. These facilities are for a period until December 2014 and the company's parent company HXRUK II Limited has confirmed that it is able to meet all the covenant tests required by the bank syndicates for the foreseeable future and it is able to provide to the company the necessary funding for the company's operations for the foreseeable future. As a result the directors are satisfied that the company is a going concern.

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards.

Turnover

Turnover consists of rental income and other sums receivable from occupiers of investment properties (including insurance charges, service charges, other recoverable costs and supplies of utilities) together with fees and other sundry income net of VAT. Revenue is recognised over the term of the licence / lease agreement and all income is derived in the UK.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provisions for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line reducing balance over its expected useful life as follows:

Office equipment - 20% straight line

Investment properties

Investment properties are revalued annually at market value. Surpluses or deficits on individual properties are transferred to the investment revaluation reserve, with the exception of a deficit which is expected to be permanent and which is in excess of any previously recognised surplus over cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account.

Depreciation is not provided in respect of freehold investment properties or in respect of leasehold investment properties where the unexpired term of the lease is more than 20 years.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

BIZSPACE SOUTHERN LIMITED

NOTES TO THE ACCOUNTS

For year ended 31 December 2009

1. ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Cash flow statement

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement since it is a wholly owned subsidiary of a parent company which has produced a cash flow statement.

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year ended 31 December 2009 No.	Year ended 31 December 2008 No.
Average number of persons employed (excluding directors)	<u>4</u>	<u>4</u>
	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Staff costs during the year		
Wages and salaries	39	40
Social security costs	<u>2</u>	<u>2</u>
	<u>41</u>	<u>42</u>

Three of the Directors are paid by Highcross (P Gubb, M Megan, H Wright). It is not practical to split out the costs of their services for the purpose of these accounts. Details of their remuneration are disclosed in the accounts of Highcross Strategic Advisors Limited which are publically available. One of the Directors is paid by Bizspace Ltd (G Evans) and it is not practical to split out the costs of this service for the purpose of these accounts. Details of his remuneration are disclosed in the accounts of Bizspace Ltd which are publically available.

3. OPERATING PROFIT

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Operating profit is stated after charging:		
Depreciation	<u>-</u>	<u>2</u>

The fee for audit services provided to Bizspace Southern Limited is £4,750 (2008 £4,750) and is borne by Bizspace Ltd.

BIZSPACE SOUTHERN LIMITED

NOTES TO THE ACCOUNTS For year ended 31 December 2009

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
UK corporation tax at	-	-

The standard rate of tax for the year/period, based on the UK standard rate of corporation tax is 28% (2008 28%). The actual tax charge for the current and the previous financial year varies from the standard rate for the reasons set out below

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Profit on ordinary activities before tax	134	248
Tax on ordinary activities at standard rate	38	69
Other timing differences	-	(3)
Group relief for no charge	(38)	(66)
Current tax credit for year	-	-

A deferred tax asset has not been recognised in respect of timing differences relating to accelerated capital allowances and trading losses. There is insufficient evidence that the assets will be recovered. The amount of the asset not recognised is £1,593 (2008 £nil). The asset would be recovered if the company makes future taxable profits against which the assets can be utilised.

5. INVESTMENT PROPERTIES

	Freehold £'000
Balance at 1 January 2009	1,959
Revaluation	(1,053)
At 31 December 2009	906
Historical cost as at 31 December 2009	1,517

Freehold property is valued in accordance with the accounting policies set out in note 1. The two properties owned by Bizspace Southern Ltd were valued at open market by Highcross Strategic Advisers Ltd ("HSA"), which is a related party and provides management services to the group. Their directors concluded that the open market value of the properties is £906k (2008 £1,959).

HSA have made their valuation in accordance with the guidance in the Royal Institution of Chartered Surveyors Red Book at open market value at 31 December 2009, by considering market evidence such as comparable transactional evidence in the property market, future forecasted cash flow and the benchmarking of yields against other market sources.

BIZSPACE SOUTHERN LIMITED

NOTES TO THE ACCOUNTS For year ended 31 December 2009

6. FIXED ASSET INVESTMENTS

	Investment £
Investment in Bizspace Limited Partnership	
Cost	
At 1 January 2009	36
At 31 December 2009	36

Bizspace Southern Ltd has a 3.6% investment in Bizspace Limited Partnership which was made on 30 November 2007. There was no income from this investment during 2009.

7. DEBTORS

	31 December 2009 £'000	31 December 2008 £'000
Amounts owed by Group undertakings	4,055	4,336
Trade debtors	5	19
Prepayments	9	12
	<u>4,069</u>	<u>4,367</u>

All debtors fall due within one year.

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2009 £'000	31 December 2008 £'000
Trade creditors	27	1
Other creditors	69	532
Accruals and deferred income	22	17
	<u>118</u>	<u>550</u>

As a result of the restructure in 2007 all intercompany interest from the parent company Highcross is now charged through Bizspace Ltd.

BIZSPACE SOUTHERN LIMITED

NOTES TO THE ACCOUNTS For year ended 31 December 2009

9 SHARE CAPITAL

	31 December 2009 £'000	31 December 2008 £'000
Authorised:		
1,000 ordinary shares of £1 each	1	1
Called up, allotted and fully paid:		
1,000 ordinary shares of £1 each	1	1

10. RECONCILIATION OF MOVEMENTS IN RESERVES AND SHAREHOLDERS' FUNDS

	Issued share capital £'000	Share premium account £'000	Profit and loss account £'000	Revaluation reserve £'000	Other reserve £'000	2009 Total £'000	2008 Total £'000
Opening shareholders' funds	1	1,249	1,129		2,912	5,776	6,033
Revaluation of investment properties	-	-	-	(1,053)	-	(1,053)	(505)
Profit for the year	-	-	134	-	-		248
Net (reduction in)/addition to shareholders' funds	-	-	134	(1,053)	-	(919)	(257)
Closing shareholders' funds	1	1,249	1,263	(568)	2,912	4,857	5,776

11 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption conferred by paragraph 3(c) of Financial Reporting Standard 8 "Related Party Disclosures" not to disclose transactions due to the availability of the group financial statements of Highcross (Bugatti) Limited which, as ultimate parent, controls greater than 90% of the company's share capital and which eliminates such transactions on consolidation

12. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

HXRUK II Limited is the controlling party and ultimate parent of the company Bizspace Investments Limited is the immediate parent company and owns 100% of the share capital of Bizspace Southern Limited HXRUK II Limited is owned by two Limited Partnerships, which are registered in the United States of America These partnerships, which were formed to invest in regional UK commercial property for investors, are managed by a General Partner, Highcross Strategic Partners II LLC, a Delaware limited liability company Highcross Bugatti Limited is the smallest group for which group accounts have been prepared and disclosed HXRUK II Limited is the largest group for which group accounts have been prepared