

THE OFFICE ISLINGTON LIMITED

REPORT AND ACCOUNTS

for the year ended

31 DECEMBER 2005



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THE OFFICE ISLINGTON LIMITED

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THE OFFICE ISLINGTON LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS	C Green P Newborough O Olsen
SECRETARY	C Green
REGISTERED OFFICE	175-185 Grays Inn Road London WC1X 8UP
AUDITORS	Nexia Smith & Williamson Registered Auditors 25 Moorgate London EC2R 6AY
COMPANY NUMBER	4878697

THE OFFICE ISLINGTON LIMITED

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2005.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Principal activities

The principal activity of the company is that of provider of office space for rental.

Review of the business

Occupancy rates remained very strong throughout the year, in line with expectations, producing good revenue streams for both licence fee and services income. The business benefits from a solid base of clients, a number of whom have been in occupation for over 2 years. The initial development work carried out on the building has led to a substantial uplift in the income levels and capital value, as reflected in the attached financial statements.

Results for the year

The profit for the year after taxation was £38,185 (2004 : loss £61,453). The directors do not recommend the payment of a dividend.

Directors and their interests

The directors who served during the year, with their interests in the shares of the company at the beginning and end of the year, were:

	£1 'A' Ordinary shares	
	2005	2004
C Green	37,219	37,219
P Newborough	-	-
O Olsen	37,219	37,219

Auditors

After the year end our auditors, Nexia Audit Limited changed their name to Nexia Smith & Williamson Audit Limited and now trade as Nexia Smith & Williamson. A resolution to re-appoint the auditors, Nexia Smith & Williamson, will be proposed at the next Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board on 24 July 2006



C Green
SECRETARY

THE OFFICE ISLINGTON LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which 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 those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. 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.

Nexia Smith & Williamson

Independent auditors' report to the shareholders of The Office Islington Limited

We have audited the accounts of The Office Islington Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, and the related notes 1 to 14. These accounts have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005), under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to smaller entities, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- the accounts have been properly prepared in accordance with the Companies Act 1985.

Nexia Smith & Williamson

Nexia Smith & Williamson
Chartered Accountants
Registered Auditors

25 Moorgate
London
EC2R 6AY

Date 25 July 2006

THE OFFICE ISLINGTON LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 DECEMBER 2005

	Notes	2005 £	Period ended 31 December 2004 £
Turnover	1	293,476	310,668
Administrative expenses		(209,666)	(328,488)
Other operating income		-	3,289
		<hr/>	<hr/>
Operating profit/(loss)	2	83,810	(14,531)
Finance costs	3	(45,625)	(46,922)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation		38,185	(61,453)
Tax on profit/(loss) on ordinary activities	4	-	-
		<hr/>	<hr/>
Profit/(loss) on ordinary activities after taxation	11	38,185	(61,453)
		<hr/>	<hr/>

The company's operations are classed as continuing.

THE OFFICE ISLINGTON LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31
DECEMBER 2005**

	2005	2004
	£	(as re-stated) £
Profit/(loss) for the financial year	38,185	(61,453)
Unrealised surplus on property revaluation	716,446	-
	<hr/>	<hr/>
Total recognised gains/(losses) for the year	754,631	(61,453)
		<hr/>
Prior year adjustment (see note 14)	(129,697)	
	<hr/>	
Total recognised gains/(losses) since last annual report	624,934	
	<hr/>	

THE OFFICE ISLINGTON LIMITED

BALANCE SHEET as at 31 DECEMBER 2005

	Notes	2005 £	2004 (as re-stated) £
Fixed assets			
Tangible assets	5	59,315	78,774
Investment properties	5	1,912,224	1,195,778
		<hr/>	<hr/>
		1,971,539	1,274,552
Current assets			
Debtors	6	567,788	65,321
Cash in hand and at bank		9,653	14,823
		<hr/>	<hr/>
		577,441	80,144
Creditors: amounts falling due within one year	7	(606,255)	(159,527)
		<hr/>	<hr/>
Net current liabilities		(28,814)	(79,383)
		<hr/>	<hr/>
Total assets less current liabilities		1,942,725	1,195,169
Creditors: amounts falling due after more than one year	8	(925,905)	(932,980)
		<hr/>	<hr/>
Net assets		1,016,820	262,189
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	9	323,642	323,642
Revaluation reserve	10	716,446	-
Profit and loss account	11	(23,268)	(61,453)
		<hr/>	<hr/>
Shareholders' funds - equity		1,016,820	262,189
		<hr/>	<hr/>

These accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

These accounts were approved by the Board of Directors on ^{24 July 2006} and were signed on its behalf by:

)
) Directors

THE OFFICE ISLINGTON LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 DECMEBER 2005

1 Accounting policies

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

Going concern

The ability of the company to continue as a going concern is dependent upon the continued support of the company's bankers and preference shareholders.

Since the year end the company's bankers have indicated they will continue to provide facilities in line with the loan agreement.

The preference shareholders have confirmed that they will not request redemption of their preference shares until the company has the financial resources to be able to do so. The preference shares are redeemable from 10 September 2006.

For these reasons the directors consider it appropriate for the company to prepare its accounts on a going concern basis.

Turnover

Turnover represents amounts receivable for rental income and services net of VAT.

Depreciation

Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment	25% per annum
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Investment properties

In accordance with Statement of Standard Accounting Practice No. 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve. All investment properties are externally re-valued every five years.

No depreciation is provided in respect of investment properties: the directors consider that this accounting policy results in the accounts giving a true and fair view. Depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Cost of loan finance

The costs associated with raising loan finance are capitalised and offset against the related loan balance. These costs are amortised to the profit and loss account over the life of the loan.

THE OFFICE ISLINGTON LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 DECMEBER 2005 (continued)

1 Accounting policies (continued)

Deferred tax

Deferred tax is provided for on a full provision basis on all timing differences, which have arisen but not reversed at the balance sheet date. No timing differences are recognised in respect of gains on sale of assets where those gains have been rolled over into replacement assets. Deferred tax assets are recognised to the extent that they are recoverable, that is, on the basis of all available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Any assets and liabilities recognised are not discounted.

Financial liabilities and equity

Under the principles of FRS25 'Financial instruments: Presentation and disclosure' financial liabilities are classified according to the substance of the contractual arrangements entered into. Where the financial arrangement is a contract which gives rise only to a residual interest in the assets of the company it is accounted for as equity and included within shareholders' funds. All other financial instruments are classified as financial liabilities and are included within creditors. The comparative figures for 2004 have been re-stated in respect of FRS25 (see note 14 for further details).

Cashflow statement

The company is not required to prepare a cashflow statement under the exemptions provided in Financial Reporting Standard 1.

2	Operating profit/(loss) is stated after charging the following:	2005	2004
		£	£
	Depreciation	25,143	17,573
	Directors' emoluments	147,724	145,265
	Auditors' remuneration	4,900	-
		<hr/>	<hr/>
3	Finance costs	2005	2004
		£	£
	Interest receivable:		
	Bank interest receivable	(683)	(2,532)
	Interest receivable from related undertaking	(7,293)	-
		<hr/>	<hr/>
		(7,976)	(2,532)
	Interest payable:		
	Interest payable on bank loan	48,593	49,454
	Dividend payable on redeemable preference shares	5,008	-
		<hr/>	<hr/>
		45,625	46,922
		<hr/>	<hr/>

THE OFFICE ISLINGTON LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 DECMEBER 2005 (continued)

4	Tax on profit/(loss) on ordinary activities	2005 £	2004 £
	UK corporation tax at 19% (2004: 30%)	-	-
	<i>Tax reconciliation</i>		
	Profit/(loss) on ordinary activities before tax	38,185	(61,453)
	Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2004: 30%)	7,255	(18,435)
	Expenses not deductible for tax purposes	1,619	4,187
	Capital allowances for the year in deficit of depreciation	1,782	2,509
	Unrelieved tax losses	-	11,739
	Utilisation of tax losses	(10,656)	-
	Total current tax charge	-	-

THE OFFICE ISLINGTON LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 DECMEBER 2005 (continued)

5 Fixed assets	Fixtures, fittings and equipment £
Cost	
At 1 January 2005	96,347
Additions	5,684
	<hr/>
At 31 December 2005	102,031
	<hr/>
Depreciation	
At 1 January 2005	17,573
Charge for the year	25,143
	<hr/>
At 31 December 2005	42,716
	<hr/>
Net book value	
At 31 December 2005	59,315
	<hr/>
At 31 December 2004	78,774
	<hr/>
	Investment properties £
Valuation	
As at 1 January 2005 (as re-stated)	1,195,778
Surplus on revaluation	716,446
	<hr/>
At 31 December 2005	1,912,224
	<hr/>
Historic cost	
At 31 December 2005	1,195,778
	<hr/>
At 31 December 2004	1,195,778
	<hr/>

Properties are stated at open market value following a valuation made by the directors after taking account of the written views of independent external sources.

THE OFFICE ISLINGTON LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 DECMEBER 2005 (continued)

6	Debtors	2005 £	2004 £
	Trade debtors	18,522	25,725
	Amounts owed by related undertaking	545,422	-
	Other debtors	-	39,596
	Prepayments and accrued income	3,844	-
		<hr/> 567,788	<hr/> 65,321

7	Creditors: Amounts falling due within one year	2005 £	2004 £
	Bank loans (see note 8)	93,404	45,500
	Redeemable preference shares	362,729	-
	Trade creditors	3,615	4,205
	Other creditors, taxation and social security	146,507	109,822
		<hr/> 606,255	<hr/> 159,527

The preference shares are redeemable from 10 September 2006.

8	Creditors: Amounts falling due after more than one year	2005 £	2004 (as re-stated) £
	Bank loan	925,905	570,251
	Redeemable preference shares (see note 7)	-	362,729
		<hr/> 925,905	<hr/> 932,980
		£	£
	Debt due after more than one year:		
	repayable between one and five years	373,616	519,195
	repayable after more than five years	556,289	413,785
		<hr/> 929,905	<hr/> 932,980

The bank loan is repayable by instalments. The loan is secured by a fixed and floating charge over the assets of the company and the assets of The Office (Farringdon) Limited. There is also an unlimited cross guarantee with The Office (Kings) Cross Limited.

THE OFFICE ISLINGTON LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 DECMEBER 2005 (continued)

9	Share capital	2005 £	2004 (as re-stated) £
	Authorised, allotted, called up and fully paid:		
	74,438 (2004: 74,438) A ordinary shares of £1 each	74,438	74,438
	249,204 (2004: 249,204) B ordinary shares of £1 each	249,204	249,204
		<hr/>	<hr/>
		323,642	323,642
		<hr/>	<hr/>

The A and B £1 ordinary shares rank pari pasu except that the B ordinary shares shall rank in priority on a winding up of the company.

10	Revaluation reserve	2005 £	2004 £
	At 1 January 2005 (as restated)	-	-
	Surplus on revaluation of property	716,446	-
		<hr/>	<hr/>
	At 31 December 2005	716,446	-
		<hr/>	<hr/>
11	Profit and loss account	2005 £	2004 £
	At 1 January 2005	(61,453)	-
	Retained profit/(loss) for the year	38,185	(61,453)
		<hr/>	<hr/>
	At 31 December 2005	(23,268)	(61,453)
		<hr/>	<hr/>

12 Ultimate control

Bridges Community Ventures Limited owns 77% of the issued ordinary share capital and 100% of the issued redeemable preference share capital of the company and is therefore considered to be the controlling party.

THE OFFICE ISLINGTON LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 DECMEBER 2005 (continued)

13 Related party transaction

During the year, the company charged management fees of £156,000 (2004: £25,500) to The Office (King's Cross) Limited and interest of £7,293 (2004: £nil) to The Office (Farringdon) Limited. At the year end the company was owed £74,563 (2004: £nil) by The Office (King's Cross) Limited and £470,859 (2004: £nil) by The Office (Farringdon) Limited. Both of these companies are under common control with the company.

During the year, the company paid Bridges Community Ventures Limited £11,663 (2004: £11,750) in consultancy fees. At the year end, the company owed Bridges Community Ventures Limited £1,772 (2004: £nil).

14 Prior year adjustments

- a) During the year it was noted that the freehold properties at 31 December 2004 had been included in the accounts at a valuation. This was an error and a prior year adjustment has been made to the correct this.

The effect of the prior year adjustment in the balance sheet at 31 December 2004 has been to reduce fixed assets by £129,697 and remove the revaluation reserve of £129,697.

- b) Under FRS25, financial instruments are accounted for as either equity or a liability in accordance with their substance as opposed to their legal form. Preference shares issued by the company carry the entitlement to dividends in accordance with the shareholders' agreement and are repayable at the request of the shareholder any time from 10 September 2006. As a result they have been reclassified as current liabilities.

The effect of the prior year adjustment on the balance sheet at 31 December 2004 has been to increase creditors falling due after one year and decrease share capital by £362,729.

The above adjustments have had no effect on the loss for the period ended 31 December 2004.