

Charity Registration No. 1104911

**Company Registration No. 5081333
(England and Wales)**

MEZZANINE 2 LIMITED
TRUSTEES' REPORT AND FINANCIAL STATEMENTS
For the year ended 31 March 2012

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MEZZANINE 2 LIMITED

Legal and administrative information forming part of the Trustees' Report

Trustees Robin Pauley (Chair)
Olu Olasode
Alistair Fraser
Judith Miara
Leo Shapland

Secretary Leah Cook

Charity registration no. 1104911

Company registration no. 5081333

Registered office 49-51 East Road
London
N1 6AH

Business address 32-36 Loman Street
Southwark
London
SE1 0EE

Auditors Goodman Jones LLP
29/30 Fitzroy Square
London
W1T 6LQ

Bankers Barclays Bank Plc
Level 27
1 Churchill Place
London
E14 5HP

MEZZANINE 2 LIMITED

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MEZZANINE 2 LIMITED

Report of the Trustees

Year ended 31 March 2012

The Trustees present their report and financial statements of the Company for the year ended 31 March 2012

The accounts have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the charity's governing document, the Companies Act 2006 and the Statement of Recommended Practice, "Accounting and Reporting for Charities, issued in March 2005

Trustees

The Trustees, who are also directors for the purpose of company law, who served the Company during the year were as follows

Robin Pauley	(Chair of Trustees)
Olu Olasode	
Alistair Fraser	(Appointed 11 April 2011)
Judith Miara	(Appointed 11 October 2011)
Leo Shapland	(Appointed 1 November 2011)
Richard Wicks	(Resigned 21 September 2011)

None of the Trustees received any remuneration from the charity during the current or prior years

Structure, Governance and Management

Mezzanine 2 Limited is a charitable company limited by guarantee and was established in 2004. It is governed by its Memorandum and Articles of Association, adopted in 2004 and last amended on 12 June 2006. Mezzanine 2 Ltd operates exclusively in the London Borough of Southwark under the name of CAN Mezzanine.

The Board of Trustees controls and manages the affairs of the charity, working closely with its sole member Bright Red Dot Foundation Limited. Robin Pauley, Olu Olasode, Alistair Fraser and Judith Miara are also Trustees of Bright Red Dot Foundation Limited.

Trustees are given a comprehensive induction when they join CAN Mezzanine. Recruitment involves interviews with the Chair and existing Trustees. Leadership and operational management of CAN Mezzanine is devolved to the senior management team.

The Board was strengthened during the year with the recruitment of three new Trustees following an extensive recruitment process, the skill set of whom reflect our ambitions for CAN's strategic direction and growth.

The Board was able to support a period of extended unpaid parental leave for the Chief Executive in line with our policy of being a flexible and supportive employer. It is a reflection on the combined skills of the deputy Chief Executive and the team that we were able to manage this period with internal resource and continue to move forward with our objectives.

Senior Management Team

Andrew Croft	Chief Executive
Kate Markey	Deputy Chief Executive
Hazel Dodd	Finance Director

The Board of Trustees holds the senior management team to account on key performance indicators as agreed between both parties as well as monitoring the strategic direction.

Risk Management

The board of Trustees has overall responsibility for risk management. The board can confirm that the major risks to which Mezzanine 2 Ltd is exposed have been reviewed and procedures established to manage the risks.

Principal Activities and Objectives

CAN Mezzanine is a fully self-sustaining charity providing successful collaborative working environments in Southwark, central London. The current building at Loman Street houses over 45 organisations in over 25,000 square foot of office space. Customers include established bodies such as World Wildlife Foundation, Women for Women International, Policy Connect, Transparency International UK, The Science Council and the international water and sanitation charity, Pump Aid.

MEZZANINE 2 LIMITED

Report of the Trustees

Year ended 31 March 2012

CAN Mezzanine's objectives are

- to promote and improve the efficiency and effectiveness of charities and voluntary groups, community groups and not-for-profit organisations in the London borough of Southwark by the provision and management for such organisations of office accommodation, conferences, training and other facilities, services and support
- To improve the efficiency of the administration of charities in direct pursuit of their objects by the provision of training and information, particularly in the field of information technology
- Such other exclusively charitable purposes as the Trustees shall from time to time determine

Its principal activity is to provide high-quality, affordable office space in central locations to third sector organisations. Stability of tenure remains a significant hurdle to growth for third sector bodies.

By providing serviced office space and additional value-added support, CAN Mezzanine allows organisations to concentrate resources on maximising their social or environmental impact.

By creating communities of social interest within the buildings, CAN Mezzanine aims to encourage collaboration, innovation and growth amongst Third Sector organisations.

Achievements and Performance Review of the Year

Objectives for the year to 31 March 2012 and performance against those objectives were as follows

- Maintain occupancy levels through customer retention and improved conversion rates
- Successfully conclude negotiations on the dilapidation liabilities relating to London Bridge lease termination
- Expand our business support services to our Mezzanine customers to improve their sustainability and impact
- Explore opportunities to expand Mezzanine constituency through cross-sector partnerships

Funding cuts and squeezed contract values have brought challenges across the sector, particularly at a local government level, demanding charitable organisations to be more entrepreneurial and deliver more for less. Health and Public Service Reforms afford new opportunities for spin out social enterprises and mutuals from state control, whilst other legislative changes like the Localism Act encourage new start-up community enterprises at a grassroots level.

Despite a challenging economic environment we have benefited from strong customer loyalty and customer retention has stayed within targets leading to robust occupancy and new customers have been acquired during the year. This is testament to both CAN Mezzanine's sales and operations teams in targeted and tactical sales acquisitions combined with maintaining excellent customer relations. The overall strength of our customer base has enabled us to provide support to those organisations that are struggling more than others, thereby strengthening our position as a community of social interest. The Loman Street customer base is characterised by its longevity and expansion with current customers taking more desk space as their business operations grow. This makes for a well established strong community with few changes in occupation. The small number of new organisations that have moved in during the year include the High Pay Centre and Mencap.

Where we have lost customers they have moved to space as part of a sponsor deal, often complimentary, and have expressed the belief that they will return once the current benevolence is exhausted. We are unable to compete against such offers in the short term however we believe this is a reflection on the current economic climate and our commitment and differentiation is to offer long term support services and a peer community to our customers.

CAN Mezzanine held the desk price at its April 2010 level for a further year in an effort to ease the financial pressures on our customer community and maintain competitiveness. We have also expanded our services to those organisations for which full time space is not a current requirement, but who would still benefit from being part of the community, by increasing our hot desk, virtual office and meeting space offers.

During the year we continued to expand our value add service offering to CAN Mezzanine constituency, including offering training on a variety of areas such as Investment Pitching, Financial and Business Modelling in addition to our CAN Impact consulting work. In conjunction with our corporate partnerships like Bain Consulting, PA Consulting and SMBC we were able to offer skilled training focussed on sustainability, impact and growth.

MEZZANINE 2 LIMITED

Report of the Trustees

Year ended 31 March 2012

As a charity based social enterprise our desire for growth must always be matched with our commitment to grow our public benefit and social impact. Our most recent customer satisfaction survey shows over 85% of our customers are interacting with each other and over a third have established business relationships, generated revenue or secured new contracts collaboratively. Whilst we continue to focus on customer impact this illustrates that we are well on the way to establishing CAN Mezzanine as a genuine social venture marketplace.

The negotiations regarding the dilapidation liabilities at the 1 London Bridge site which closed in March 2011 are currently on-going, however our potential liability has significantly diminished with the landlord's full scale refurbishment and redevelopment of the site. Accordingly we have released accruals of £195k in the year to March 2012 to reflect our revised expectations of the liability.

An important achievement this year has been Bright Red Dot Foundation Limited's retention of the Cabinet Strategic Partnership contract (focussing on social enterprise, impact and finance). Our interaction with our Mezzanine customers both validates this contract but also provides a voice for our customers at the highest level.

Plans for the Future

The Social Value Act passed in February 2012 and is due to be implemented in January 2013 meaning all public contracts tendered will have to legally consider the social value they create. It is hoped the legislation will provide social organisations with greater opportunity to compete for contracts on a level playing field and challenge those contracts not accounting for social value.

Next year we await the recommendations of the Charities Act Review and the Red Tape Challenge to alleviate restrictions on Civil Society organisations to operate, innovate and scale. Such significant change for the sector provides challenge and opportunity in equal measure for CAN's customer base, network and investees who demand that we are entrepreneurial, forward-thinking and resilient in our response to supporting them.

CAN Mezzanine's objectives for the forthcoming financial year are as follows:

- To obtain expansion space in the locality
- Maintain or increase occupancy and manage churn at current site
- Increase our positive impact on customers and ultimately their beneficiaries through further developing our offering
- Further understand the finance and business needs of our customers and develop products to support them and maximise the opportunities in the emerging social investment climate
- Continue to raise awareness of technological advances through products and forums that can reduce cost and increase social impact

MEZZANINE 2 LIMITED

Report of the Trustees

Year ended 31 March 2012

Statement of Trustees' Responsibilities

The Trustees are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

The board of Trustees ensures that Mezzanine 2 Limited meets its aims and objectives as stated in the Memorandum and Articles of Association

Company law requires the Trustees to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the surplus or deficit of the Company for that period. In preparing these financial statements, the board 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 policies have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the financial statements comply with the Companies Act 2006 and Charities (Accounts and Reports) Regulations 2008. 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.

Auditors

In accordance with section 485 of the Companies Act 2006, a resolution proposing that Goodman Jones LLP be reappointed as auditors of the company will be put to the Annual General Meeting.

Statement of Disclosure to Auditors

So far as the Trustees are aware, there is no relevant audit information of which the company's auditors are unaware. They have taken all the steps that they ought to have taken as Trustees in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

On behalf of the board of Trustees

A handwritten signature in black ink, appearing to read 'Leah Cook', with a large, stylized loop at the end.

Leah Cook
Secretary

24 September 2012

MEZZANINE 2 LIMITED

Report of the Trustees

Year ended 31 March 2012

Financial Results

Mezzanine 2 Ltd recorded an unrestricted surplus of £344,844 (2011 £691,319 deficit) The prior year deficit was mainly due to the one-off grant of £500,000 to its sole member Bright Red Dot Foundation Limited to help fund the purchase of the freehold at Loman Street which will safeguard future tenure for Mezzanine 2 Ltd In addition the costs associated with the closure of the leasehold property at 1 London Bridge contributed to the deficit Following the planned closure of this site the operational Mezzanine 2 Limited base is much smaller and therefore income has dropped significantly year on year

As mentioned above, the current year also includes the impact of the adjustment in the expected dilapidations exposure from 1 London Bridge which has been reduced by £195k following the full scale refurbishment of the site by the landlord

Public Benefit

We have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing our aims and objectives and in planning our future activities

Reserves Policy

The Trustees approved a Reserves Policy in 2007 to target a build up of free reserves to £460,000 in cash or assets that are easily converted into cash As at 31 March 2012 CAN Mezzanine's unrestricted reserves were £517,064 (2011 £326,470) The reserves policy will be reviewed in the forthcoming year after any remaining liabilities are settled following the closure of the London Bridge site After this the required free reserves are likely to be reduced to reflect a smaller operating base

Our Thanks to

- Our CAN Mezzanine customers and wider social venture network
- Our partners and suppliers who make our social impact possible
- Our loyal and immensely hard working team who drive and deliver our mission

MEZZANINE 2 LIMITED

Independent Auditors' Report

Year ended 31 March 2012

TO THE MEMBERS OF MEZZANINE 2 LIMITED

We have audited the financial statements of Mezzanine 2 Limited for the year ended 31 March 2012 which comprise the Statement of Financial Activities, the Summary Income and Expenditure Account, the Balance Sheet and the related notes. 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).

Respective responsibilities of Trustees and auditors

As explained more fully in the Trustees' Responsibilities Statement, the Trustees (who are also the Directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's 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 charitable company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Trustees, and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2012 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual 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 Trustees' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.


Julian Eltner (Senior Statutory Auditor)

for and on behalf of Goodman Jones LLP
29/30 Fitzroy Square,
London,
W1T 6LQ
Statutory Auditors

Dated: 27/9/2012

MEZZANINE 2 LIMITED

Income and Expenditure Account

Year ended 31 March 2012

	Notes	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Income from charitable activities	2	1,267,034	2,510,338
Direct charitable expenditure		(928,681)	(3,208,330)
Net charitable income/(expenditure)		338,353	(697,992)
Interest receivable		6,491	6,673
Surplus/(deficit) for the financial year		344,844	(691,319)
Fund balances brought forward at 1 April		175,864	867,183
Fund balances carried forward at 31 March		520,708	175,864

The Company has no recognised gains or losses other than the results for the year as set out above, which are all from continuing activities. The notes form part of these financial statements.

MEZZANINE 2 LIMITED

Statement of Financial Activity

31 March 2012

	Notes	Total year ended 31 March 2012 £	Total year ended 31 March 2011 £
Incoming Resources from Generated Funds			
Charitable activities	2	1,267,034	2,510,338
Interest receivable		6,491	6,673
Total incoming resources		1,273,525	2,517,011
Resources expended			
Charitable activities	3	923,681	3,202,830
Governance costs	4	5,000	5,500
Total resources expended		928,681	3,208,330
Net movement in funds		344,844	(691,319)
Fund balances brought forward 1 April		175,864	867,183
Fund balances carried forward at 31 March		520,708	175,864

The notes form part of these financial statements

MEZZANINE 2 LIMITED

Balance Sheet

31 March 2012

Company Registration No 5081333

	Notes	2012 £	2011 £
Non Current Assets			
Tangible assets	7	103,644	144,728
Current Assets			
Debtors	8	68,030	84,560
Cash at bank and in hand		1,037,298	1,276,838
		<u>1,105,328</u>	<u>1,361,398</u>
Creditors amounts falling due within one year	9	(588,264)	(1,034,928)
Net Current Assets		<u>517,064</u>	<u>326,470</u>
Total Assets less Current Liabilities		620,708	471,198
Provisions for liabilities and charges	10	(100,000)	(295,334)
Net Assets		<u>520,708</u>	<u>175,864</u>
Funds			
Unrestricted funds	11	520,708	175,864
Members' Funds		<u>520,708</u>	<u>175,864</u>

The notes form part of these financial statements

The accounts have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies

The financial statements were approved and authorised to be issued by the Board of Trustees on 24 September 2012 and signed on their behalf by



Robin Pauley
Trustee



Alistair Fraser
Trustee

MEZZANINE 2 LIMITED

Notes and Accounting Policies

Year ended 31 March 2012

1. Accounting policies

(a) Basis of preparation

The financial statements are prepared under the historical cost convention. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities" published in 2006 and applicable accounting standards.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

(b) Income recognition

Income is stated after other sales taxes and net of VAT, where applicable.

(c) Fixed assets

All fixed assets are initially recorded at cost.

(d) Depreciation

Depreciation is provided using the following rates and bases to reduce by annual instalments the cost, less estimated residual value, of the tangible assets over their estimated useful lives -

Land & buildings leasehold	Over the term of the lease
Fixtures and fittings	20% Straight line
Computer equipment	25% Straight line

(e) Grants and donations

Revenue grants and donations include all income receivable in the period. Where the income covers costs already incurred and are committed, but not yet received, this income has been accrued. The element of such grants and donations received for specific projects which are not expended at the period end is carried forward as restricted funds.

Capital grants and donations received towards capital expenditure are analysed between restricted or unrestricted income in the statement of financial activities on receipt. On expenditure being incurred, fixed assets are capitalised in the appropriate fund.

(f) Fund accounting

Funds held by the charity are either unrestricted general funds which can be used in accordance with the charitable objects at the discretion of the Trustees, or restricted funds which can only be used for particular restricted purposes within the objects of the charity.

Restricted funds are subject to specific conditions set by donors as to how they may be used. Expenditure which meets these criteria is charged to restricted funds. Where a restricted fund is in deficit at the end of an accounting period a transfer is made from unrestricted funds to cover that deficit.

Investment income and gains are allocated to the appropriate fund.

(g) Company status

The charitable company is a company limited by guarantee. The members of the charitable company are the Trustees named in the Trustees Report. In the event of the charitable company being wound up, the liability in respect of the guarantee is limited to £1 per member of the charitable company.

(h) Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to that category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with use of the resources.

MEZZANINE 2 LIMITED

Notes and Accounting Policies

Year ended 31 March 2012

(l) Lease incentives

Lease incentives including rent free periods are released to the profit and loss account on a straight line basis over the life of the lease in accordance with UITF Abstract 28

(j) Dilapidations

The cost of dilapidations at the London Bridge site has been estimated by an independent chartered surveyor

(k) Allocation of support costs

The costs of functions which support more than one of the charity's activities have been allocated to those activities based on time spent. Costs classified as governance relate to costs incurred by the Trustees in administering the charity, audit and other statutory matters

(l) Irrecoverable VAT

Irrecoverable VAT is written off to the income and expenditure account where it relates to revenue items and is capitalised where it relates to capital items

(m) Retirement benefit costs

The amount charged to the income and expenditure account represents the contributions payable in respect of the year

2. Income from charitable activities

	2012 £	2011 £
Income from contracts	1,267,034	2,510,338

3. Charitable activities expenditure

	Staff costs £	Management costs £	Other costs £	Total 2012 £	Total 2011 £
Unrestricted funds	152,524	126,221	644,936	923,681	3,097,314
Restricted funds	-	-	-	-	105,516
	<u>152,524</u>	<u>126,221</u>	<u>644,936</u>	<u>923,681</u>	<u>3,202,830</u>

Management costs include support costs and are charged by Mezzanine 2 Limited's sole member Bright Red Dot Foundation Limited

4. Governance costs

	2012 £	2011 £
Unrestricted funds		
Audit fees	5,000	5,500

5. Net operating surplus

	2012 £	2011 £
Net operating surplus is stated after charging		
Depreciation	51,072	242,837
Auditors' remuneration	<u>5,000</u>	<u>5,500</u>

MEZZANINE 2 LIMITED

Notes and Accounting Policies

Year ended 31 March 2012

6. Employees

	2012 £	2011 £
Wages and salaries	139,662	198,955
Social security costs	8,736	14,012
Other pension costs	4,126	4,434
	152,524	217,401

The average number of employees during the year was made up as follows

	Number	Number
Administration and management	4	5

No employees received remuneration in excess of £60,000 and no emoluments were paid to the Trustees during the year. There were no outstanding or prepaid contributions to the pension scheme at 31 March 2012.

7. Tangible fixed assets

	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Total £
Cost:				
At beginning of year	74,807	191,129	76,385	342,321
Additions	7,452	1,080	1,456	9,988
Disposals				
At end of year	82,259	192,209	77,841	352,309
Depreciation:				
At beginning of year	18,871	129,815	48,907	197,593
Charge for the year	7,851	35,767	7,454	51,072
On disposals				
At end of year	26,722	165,582	56,361	248,665
Net book value:				
At beginning of year	55,936	61,314	27,478	144,728
At end of year	55,537	26,627	21,480	103,644

MEZZANINE 2 LIMITED

Notes and Accounting Policies

Year ended 31 March 2012

8. Debtors

	2012 £	2011 £
Trade debtors	44,568	66,714
Taxes and social security costs	2,719	-
Prepayments and accrued income	20,326	14,514
Other debtors	417	3,332
	<u>68,030</u>	<u>84,560</u>

9. Creditors: amounts due within one year

	2012 £	2011 £
Trade creditors	29,419	62,669
Amounts owed to group undertakings	10,708	9,859
Taxes and social security costs	2,676	7,563
Accruals and deferred income	294,492	680,942
Other creditors	250,969	273,895
	<u>588,264</u>	<u>1,034,928</u>

Mezzanine 2 Limited's sole member Bright Red Dot Foundation Limited holds secured loans over freehold property, with cross guarantees from Mezzanine 2 Limited. The balance on these loans at 24 September 2012 was £16.4 million.

10. Provisions for liabilities and charges

	Dilapidations £
Balance 1 April 2011	295,334
Income and expenditure account	(195,334)
Balance 31 March 2012	<u>100,000</u>

The provision relates to dilapidation commitments on expiry of the lease at 1 London Bridge which took place in March 2011. The organisation is still in negotiations regarding final settlement and the provision represents the Trustees' best estimate of the liability.

MEZZANINE 2 LIMITED

Notes and Accounting Policies

Year ended 31 March 2012

11. Funds

	Balance 1 April 2011	Transfer between funds	Movement in resources		Balance 31 March 2012
	£	£	Incoming £	Outgoing £	£
Unrestricted funds	175,864	-	1,273,525	(928,681)	520,708

12. Financial commitments

At the balance sheet date the company had annual commitments under non cancellable operating leases as follows

	2012 £	2011 £
Land and buildings		
Expiry in more than 5 years	509,134	459,856

The lease on the property at Loman Street is held by Mezzanine 2 Ltd's sole member Bright Red Dot Foundation Ltd

There were no capital commitments as at 31 March 2012

13. Related parties

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company

14. Control

The company's ultimate parent company is Bright Red Dot Foundation Ltd, also incorporated in the United Kingdom