

Registered number: 05081333
Charity number: 1104911

MEZZANINE 2 LIMITED
(A company limited by guarantee)

Trustees' report and financial statements
for the year ended March 31, 2017

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MEZZANINE 2 LIMITED
(A company limited by guarantee)

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MEZZANINE 2 LIMITED
(A company limited by guarantee)

**Reference and administrative details of the company, its trustees and advisers
for the year ended March 31, 2017**

Trustees	Mr A J Fraser, Trustee Mr R Pauley, Chairman Mr M D Stevenson-Dodd, Trustee (resigned March 9, 2017) Ms H M Taylor-Thompson OBE, Trustee
Company registered number	05081333
Charity registered number	1104911
Registered office	Can Mezzanine 7-14 Great Dover Street Southwark London SE1 4YR
Company secretary	Mrs H Boyd
Chief executive officer	Mr A Croft
Independent auditors	Raffingers Chartered Certified Accountant Statutory Auditors 19-20 Bourne Court Southend Road Woodford Green IG8 8HD
Bankers	Barclays Bank Level 27 1 Churchhill Place London E14 5HP

MEZZANINE 2 LIMITED
(A company limited by guarantee)

Trustees' report
for the year ended March 31, 2017

The Trustees (who are also directors of the charity for the purposes of the Companies Act) present their annual report together with the audited financial statements for the year April 1, 2016 to March 31, 2017. The Trustees confirm that the Annual Report and financial statements of the company comply with the current statutory requirements, the requirements of the company's governing document and the provisions of the Statement of Recommended Practice (SORP), applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) as amended by Update Bulletin 1 (effective 1 January 2015).

Since the company qualifies as small under section 383, the strategic report required of medium and large companies under The Companies Act 2006 (Strategic Report and Director's Report) Regulations 2013 is not required.

STRUCTURE, GOVERNANCE AND MANAGEMENT

CONSTITUTION

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. Mezzanine 2 Limited operates exclusively in the London Borough of Southwark under the name of CAN Mezzanine

The Board of Trustees control and manage the affairs of the charity, working closely with its sole member Bright Red Dot Foundation Limited. Robin Pauley, Helen Taylor-Thompson and Alistair Fraser are also Trustees of Bright Red Dot Foundation Limited.

PUBLIC BENEFIT

The trustees have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the aim and objectives and in planning the charity's future activities. The aims of the charitable company for the public benefit are detailed in the 'Objectives and Activities' section of this report and the main activities undertaken in order to carry out the charitable company's aims for the public benefit are outlined under 'Achievements and Performance' below.

METHOD OF APPOINTMENT OR ELECTION OF TRUSTEES

The Articles of Association stipulate that there must be a minimum of three trustees and there is no maximum number of trustees. All trustees must be members of the charitable company. Additional trustees may be appointed by the existing trustees at any time, either to fill a casual vacancy or as an addition to the existing trustees. Any trustees so appointed will hold office only until the next Annual General Meeting and will then be eligible for re-election. One third of the trustees are to retire by rotation at each Annual General Meeting.

No trustee had any beneficial interest in any contract with the charitable company during the year.

Potential trustees are invited to informally attend trustee meetings prior to appointment and a comprehensive induction programme is available. Additionally individual trustees may undertake external training in a particular area of their role on the Governing Body.

POLICIES ADOPTED FOR THE INDUCTION AND TRAINING OF TRUSTEES

The charitable company strives to ensure equal opportunities and diversity in both the employment of staff and trustee appointments. Selection criteria and procedures are regularly reviewed to ensure that individuals are selected, promoted and treated on the basis of their relevant merits and abilities.

Trustees are given a comprehensive induction when they join Mezzanine 2 Limited. Recruitment involves

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Trustees' report (continued)
for the year ended March 31, 2017

interviews with the Chair and existing Trustees.

ORGANISATIONAL STRUCTURE AND DECISION MAKING

Leadership and operational management of Mezzanine 2 Limited are devolved to the senior management team

Senior Management Team:

Andrew Croft (Chief Executive) Svetlana Ghadiri (Finance Director)

Gary Philips (Head of Sales and Marketing) Kirstin Ross (Head of Development)

Rohan Martyres (Head of Impact and Investment Strategy)

The Board of Trustees hold 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 Trustees have assessed the major risks to which the company and the group is exposed, in particular those related to the operations and finances of Mezzanine 2 Limited, and are satisfied that systems and procedures are in place to mitigate our exposure to the major risks

OBJECTIVES AND ACTIVITIES

OBJECTIVES AND AIMS

Mezzanine 2's vision is of an economy buoyed by a thriving civil society. Our mission is to help charities, social entrepreneurs and social ventures achieve it. To build sustainable organisations charities need high quality premises, peer experience, funds and business support.

Mezzanine 2 is a fully self-sustaining charity, that provides high-quality collaborative office space and builds communities of social interest for third sector organisations in Southwark, London. The current building at Loman Street houses 46 organisations in over 25,000 square foot of office space. Customers include established bodies such as World Wildlife Foundation, Home Start UK and Four Paws UK.

Mezzanine 2's objectives are:

- to promote and improve the efficiency and effectiveness of charities and voluntary groups, community groups and non-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 Southwark to third sector organisations, small and large. Stability of tenure remains a significant hurdle to growth for third sector bodies.

By providing serviced office space and additional value-added support, Mezzanine 2 allows organisations to concentrate resources on maximising their social or environmental impact.

By creating communities of social interest within the buildings, Mezzanine 2 aims to encourage collaboration, innovation and growth amongst Third Sector organisations.

ACHIEVEMENTS AND PERFORMANCE

CHARITABLE ACTIVITIES

Requirement for our services increased, with occupancy figures rising further we anticipate 100% occupation in

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Trustees' report (continued)
for the year ended March 31, 2017

the coming year. This is the continuing change in market forces and a reflection of the price and community maintained in a significantly increasing market, thereby strengthening our community of social interest. In this Southwark submarket where we historically noted that the market rental price for premises increased by 70% further to our building acquisition while our own price rise was minimised to just 7% we increased our pricing by only 1.9%. There have been additional demands on our flexibility and assistance during the year while the overall bad debt position remained low. We remain committed to offering long term support services and a peer community to our customers. Central London is showing increased demand for our services as the property market remains hard due to overseas investment and our value proposition to the sector increases further. As a consequence our Loman St building achieved over 95% average occupation for the year.

As a charity our desire is to grow our social impact and public benefit.

Within the Mezzanine 2 community our most recent survey KPI's shows:

- Socialisation. 94% socialise, 72% share information, 33% found new business contacts.
- Collaboration. 36% collaborate, 82% aspire to, 89% thought being in Mezzanine important.
- Generation (cost saving / income) 18% of organisations achieving this. 21% are more productive and 32% report greater impact as a result of collaborating in CAN Mezzanine.

(The percentages were based on the number of respondents per question. Sample size 78 out of 150 organisations. Response rate per question 31%-100%.)

Maintain occupation at Loman St. building and continue to promote the socialisation, collaboration and generation of income and cost savings waterfall. This has improved financials and allowed further socialisation, collaboration and generation of cost savings and income (CAN's waterfall of impact).

Review and complete required works. A review of works was conducted. The Loman St. facility received ICT Investment particularly new Wi-Fi points and network capacity upgrades including new switches and lift investment. Reception improvements were introduced, touch screen sign in and TV upgrades. The new Canvas screens for communication were rolled out and new features were launched on the internal comms platform CANNECT, to include single login live chat and meeting room booking.

FINANCIAL REVIEW

RESERVES POLICY

The trustees have established the level of reserves (that is those funds that are freely available) that the charity ought to have. Reserves are needed to bridge the funding gaps between spending on activities and receiving resources through charitable activity income. The trustees consider that the ideal level of reserves as at 31 March 2017 would be three months of resources expended which equates to £382,778.

The actual reserves as at 31 March 2017 were £188,738 which is £194,040 less than our target figure. In calculating the reserves, the trustees have excluded from total funds any restricted income funds.

INVESTMENT POLICY AND PERFORMANCE

Under its Memorandum of Association the charity has power to invest in any way the trustees wish.

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Trustees' report (continued)
for the year ended March 31, 2017

FINANCIAL RESULTS

CAN Mezzanine 2 Limited recorded an unrestricted deficit for year of £295,268 (2016-£379,672). The income of Can Mezzanine 2 Limited has decreased during the year and is expected to increase in future by maximising the occupancy.

GOING CONCERN

After making appropriate enquiries, the trustees have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Accounting Policies.

PLANS FOR FUTURE PERIODS

FUTURE DEVELOPMENTS

- Re-structure lease
- Maintain occupation above breakeven
- Conduct Delphi group style meetings with the Mezzanine 2 community.

OUR THANKS

- Our Mezzanine 2 customers
- Our many supporters
- Our loyal and immensely hard working team who drive and deliver our mission.

TRUSTEES' RESPONSIBILITIES STATEMENT

The Trustees (who are also directors of Mezzanine 2 Limited for the purposes of company law) are responsible for preparing the Trustees' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year. Under that law the trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland. Under company law the Trustees 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 charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (FRS102);
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable 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 charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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Trustees' report (continued)
for the year ended March 31, 2017

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are Trustees at the time when this Trustees' report is approved has confirmed that:

- so far as that Trustee is aware, there is no relevant audit information of which the charitable company's auditors are unaware, and
- that Trustee has taken all the steps that ought to have been taken as a Trustee in order to be aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

AUDITORS

The auditors, Raffingers, have indicated their willingness to continue in office. The Designated Trustees will propose a motion re-appointing the auditors at a meeting of the Trustees.

This report was approved by the Trustees, on September 29, 2017 and signed on their behalf by:



Mrs H Boyd
Secretary

MEZZANINE 2 LIMITED
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Independent auditors' report to the members of Mezzanine 2 Limited

We have audited the financial statements of Mezzanine 2 Limited for the year ended March 31, 2017 set out on pages 9 to 23. 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 FRS102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland.

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable 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 charitable company and its members, as a body, for our audit work, for this report, or for the opinion we have formed.

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 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' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 March 31, 2017 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, based on the work undertaken in the course of the audit, the information given in the Trustees' report for the financial year for which the financial statements are prepared is consistent with those financial statements and such reports have been prepared in accordance with applicable legal requirements.

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Independent auditors' report to the members of Mezzanine 2 Limited

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of our knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustee's Report.

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; or
- the Trustees were not entitled to take advantage of the small companies' exemption.


Thuraiathan Sudarshan FCCA (Senior statutory auditor)
for and on behalf of
Raffingers

Chartered Certified Accountant
Statutory Auditors

19-20 Bourne Court
Southend Road
Woodford Green
IG8 8HD
September 29, 2017

MEZZANINE 2 LIMITED
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**Statement of financial activities incorporating income and expenditure account
for the year ended March 31, 2017**

	Note	Unrestricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
INCOME FROM:				
Charitable activities	2	1,228,120	1,228,120	1,242,910
Investments	3	5,151	5,151	6,365
Other income		2,573	2,573	1,479
TOTAL INCOME		<u>1,235,844</u>	<u>1,235,844</u>	<u>1,250,754</u>
EXPENDITURE ON:				
Charitable activities	6	1,531,112	1,531,112	1,630,429
TOTAL EXPENDITURE	7	<u>1,531,112</u>	<u>1,531,112</u>	<u>1,630,429</u>
NET MOVEMENT IN FUNDS		(295,268)	(295,268)	(379,675)
RECONCILIATION OF FUNDS:				
Total funds brought forward		484,006	484,006	863,681
TOTAL FUNDS CARRIED FORWARD		<u>188,738</u>	<u>188,738</u>	<u>484,006</u>

The notes on pages 12 to 23 form part of these financial statements.

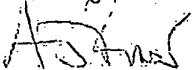
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Registered number: 05081333

Balance sheet
as at March 31, 2017

	Note	£	2017 £	£	2016 £
FIXED ASSETS					
Tangible assets	11		35,863		47,518
CURRENT ASSETS					
Debtors	12	347,423		777,899	
Cash at bank and in hand		654,046		664,120	
		<u>1,001,469</u>		<u>1,442,019</u>	
CREDITORS: amounts falling due within one year	13	(848,594)		(1,005,531)	
NET CURRENT ASSETS			<u>152,875</u>		<u>436,488</u>
NET ASSETS			<u><u>188,738</u></u>		<u><u>484,006</u></u>
CHARITY FUNDS					
Unrestricted funds			<u>188,738</u>		<u>484,006</u>
TOTAL FUNDS			<u><u>188,738</u></u>		<u><u>484,006</u></u>

The company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the Trustees on September 29, 2017 and signed on their behalf, by:


Mr A J Fraser, Trustee

The notes on pages 12 to 23 form part of these financial statements.

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Statement of cash flows
for the year ended March 31, 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Net cash used in operating activities	15	(2,539)	(486,320)
Cash flows from investing activities:			
Purchase of tangible fixed assets		(7,535)	(9,483)
Net cash used in investing activities		(7,535)	(9,483)
Change in cash and cash equivalents in the year		(10,074)	(495,803)
Cash and cash equivalents brought forward		664,120	1,159,923
Cash and cash equivalents carried forward	16	654,046	664,120

The notes on pages 12 to 23 form part of these financial statements.

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Notes to the financial statements
for the year ended March 31, 2017

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair' view. This departure has involved following the Charities SORP (FRS 102) published on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

Mezzanine 2 Limited meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy.

1.2. Going concern

The financial statements have been prepared on a going concern basis due to the support provided by Mezzanine 2 Limited's sole member, Bright Red Dot Foundation Limited.

1.3 Company status

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

1.4 Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the company and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the company for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Investment income, gains and losses are allocated to the appropriate fund.

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Notes to the financial statements
for the year ended March 31, 2017

1. ACCOUNTING POLICIES (continued)

1.5 Income

All income is recognised once the company has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

For legacies, entitlement is taken as the earlier of the date on which either: the company is aware that probate has been granted, the estate has been finalised and notification has been made by the executor(s) to the Trust that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the company has been notified of the executor's intention to make a distribution. Where legacies have been notified to the company, or the company is aware of the granting of probate, and the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material.

Donated services or facilities are recognised when the company has control over the item, any conditions associated with the donated item have been met, the receipt of economic benefit from the use of the company of the item is probable and that economic benefit can be measured reliably.

On receipt, donated professional services and donated facilities are recognised on the basis of the value of the gift to the company which is the amount the company would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of receipt.

Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

Income tax recoverable in relation to investment income is recognised at the time the investment income is receivable.

1.6 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

Support costs are those costs incurred directly in support of expenditure on the objects of the company and include project management carried out at Headquarters. Governance costs are those incurred in connection with administration of the company and compliance with constitutional and statutory requirements.

Charitable activities and Governance costs are costs incurred on the company's educational operations, including support costs and costs relating to the governance of the company apportioned to charitable activities.

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Notes to the financial statements
for the year ended March 31, 2017

1. ACCOUNTING POLICIES (continued)

1.7 Tangible fixed assets and depreciation

Excluding computers, all assets costing more than £500 are capitalised. Plant and machinery relates to Communication infrastructure.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of financial activities incorporating income and expenditure account.

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Long-term leasehold property	-	Over the period of the leases
Fixtures and fittings	-	20% on cost
Computer equipment	-	25% on cost

1.8 Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the company; this is normally upon notification of the interest paid or payable by the Bank.

1.9 Operating leases

Rentals under operating leases are charged to the Statement of financial activities incorporating income and expenditure account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.10 Debtors

Trade and other debtors are recognised at the settlement amount after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

1.11 Cash at Bank and in hand

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

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Notes to the financial statements
for the year ended March 31, 2017

1. ACCOUNTING POLICIES (continued)

1.12 Liabilities and provisions

Liabilities are recognised when there is an obligation at the Balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the company anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

1.13 Financial instruments

The company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

1.14 Charitable activities

Charitable activities comprise those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

Support cost are those costs incurred directly in support of expenditure on the objects of the charity and include project management carried out by the head office staff.

1.15 Governance costs

Governance costs comprise those costs associated with meeting the constitutional and strategic requirements of the charity and the audit fees and costs linked to the strategic management of the charity.

1.16 Taxation

The company is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the company is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

1.17 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

The company contributes to personal pension plans on behalf of employees and the pension charge represents the amounts payable by the company to personal pension plans in respect of the year.

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**Notes to the financial statements
for the year ended March 31, 2017**

1. ACCOUNTING POLICIES (continued)

1.18 Critical accounting estimates and areas of judgment

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions:

The company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

1.19 Dilapidation provision

Provisions for dilapidations are recognised on a lease by lease basis and are based on the company's best estimate of the likely committed cash flow.

2. INCOME FROM CHARITABLE ACTIVITIES

	Unrestricted funds 2017 £	Total funds 2017 £	<i>Total funds 2016 £</i>
Serviced office space	1,228,120	1,228,120	1,242,910
	<u>1,228,120</u>	<u>1,228,120</u>	
<i>Total 2016</i>	<u>1,242,910</u>	<u>1,242,910</u>	

3. INVESTMENT INCOME

	Unrestricted funds 2017 £	Total funds 2017 £	<i>Total funds 2016 £</i>
Investment income	5,151	5,151	6,365
	<u>5,151</u>	<u>5,151</u>	
<i>Total 2016</i>	<u>6,365</u>	<u>6,365</u>	

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**Notes to the financial statements
for the year ended March 31, 2017**

4. DIRECT COSTS

	Basis of Allocation	Serviced office spac £	Total 2017 £	Total 2016 £
Charitables activities	Direct	1,267,514	1,267,514	1,279,800
Wages and salaries	Direct	179,143	179,143	252,150
National insurance	Direct	16,626	16,626	23,496
Pension cost	Direct	10,478	10,478	15,740
Depreciation	Direct	19,190	19,190	17,202
		<u>1,492,951</u>	<u>1,492,951</u>	<u>1,588,388</u>
<i>At March 31, 2016</i>		<u>1,588,388</u>	<u>1,588,388</u>	

5. SUPPORT COSTS

	Basis of Allocation	Serviced office spac £	Total 2017 £	Total 2016 £
Charitables activities	Direct	32,661	32,661	35,743
<i>At March 31, 2016</i>		<u>35,743</u>	<u>35,743</u>	

6. GOVERNANCE COSTS

	Unrestricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
Auditors' remuneration	5,500	5,500	6,298

MEZZANINE 2 LIMITED
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**Notes to the financial statements
for the year ended March 31, 2017**

7. ANALYSIS OF EXPENDITURE BY EXPENDITURE TYPE

	Staff costs 2017 £	Depreciation 2017 £	Other costs 2017 £	Total 2017 £	Total 2016 £
Serviced office space Activity 3	206,247 -	19,190 -	1,300,175 -	1,525,612 -	1,624,132 (1)
Charitable activities	206,247	19,190	1,300,175	1,525,612	1,624,131
Expenditure on governance	-	-	5,500	5,500	6,298
	206,247	19,190	1,305,675	1,531,112	1,630,429
Total 2016	291,387	17,202	1,321,837	1,630,426	

8. NET INCOME/(EXPENDITURE)

This is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets: - owned by the charity	19,190	17,202
Auditors' remuneration - audit	5,500	6,298

During the year, no Trustees received any remuneration (2016 - £NIL).

During the year, no Trustees received any benefits in kind (2016 - £NIL).

During the year, no Trustees received any reimbursement of expenses (2016 - £NIL).

9. AUDITORS' REMUNERATION

The Auditor's remuneration amounts to an Audit fee of £2,400 (2016 - £3,600) and other services of £3,100 (2016 - £2,698).

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**Notes to the financial statements
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10. STAFF COSTS

Staff costs were as follows:

	2017 £	2016 £
Wages and salaries	179,143	252,151
Social security costs	16,626	23,496
Other pension costs	10,478	15,740
	<u>206,247</u>	<u>291,387</u>

The average number of persons employed by the company during the year was as follows:

	2017 No.	2016 No.
Charitable activities	6	7

Average headcount expressed as a full time equivalent:

	2017 No.	2016 No.
	6	7

No employee received remuneration amounting to more than £60,000 in either year.

11. TANGIBLE FIXED ASSETS

	Long-term leasehold property £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At April 1, 2016	97,170	106,827	83,129	287,126
Additions	-	-	7,535	7,535
At March 31, 2017	<u>97,170</u>	<u>106,827</u>	<u>90,664</u>	<u>294,661</u>
Depreciation				
At April 1, 2016	71,577	86,246	81,785	239,608
Charge for the year	13,383	2,070	3,737	19,190
At March 31, 2017	<u>84,960</u>	<u>88,316</u>	<u>85,522</u>	<u>258,798</u>
Net book value				
At March 31, 2017	<u>12,210</u>	<u>18,511</u>	<u>5,142</u>	<u>35,863</u>
At March 31, 2016	<u>25,593</u>	<u>20,581</u>	<u>1,344</u>	<u>47,518</u>

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**Notes to the financial statements
for the year ended March 31, 2017**

12. DEBTORS

	2017	2016
	£	£
Trade debtors	46,141	60,834
Amounts owed by group undertakings	195,821	585,807
Other debtors	25,046	77,157
Prepayments and accrued income	80,415	54,101
	<u>347,423</u>	<u>777,899</u>

13. CREDITORS: Amounts falling due within one year

	2017	2016
	£	£
Trade creditors	95,662	73,553
Amounts owed to group undertakings	159,308	359,744
Other taxation and social security	-	8,388
Other creditors	273,646	262,563
Accruals and deferred income	319,978	301,283
	<u>848,594</u>	<u>1,005,531</u>

SUMMARY OF FUNDS - CURRENT YEAR

	Balance at April 1, 2016 £	Income £	Expenditure £	Balance at March 31, 2017 £
General funds	<u>484,006</u>	<u>1,235,844</u>	<u>(1,531,112)</u>	<u>188,738</u>

SUMMARY OF FUNDS - PRIOR YEAR

	Balance at April 1, 2015 £	Income £	Expenditure £	Balance at March 31, 2016 £
General funds	<u>863,678</u>	<u>1,250,754</u>	<u>(1,630,426)</u>	<u>484,006</u>

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Notes to the financial statements
for the year ended March 31, 2017

14. ANALYSIS OF NET ASSETS BETWEEN FUNDS

ANALYSIS OF NET ASSETS BETWEEN FUNDS - CURRENT YEAR

	Unrestricted funds 2017 £	Total funds 2017 £
Tangible fixed assets	35,862	35,862
Current assets	1,001,470	1,001,470
Creditors due within one year	(848,594)	(848,594)
	<u>188,738</u>	<u>188,738</u>

ANALYSIS OF NET ASSETS BETWEEN FUNDS - PRIOR YEAR

	Unrestricted funds 2016 £	Total funds 2016 £
Tangible fixed assets	47,517	47,517
Current assets	1,442,021	1,442,021
Creditors due within one year	(1,005,532)	(1,005,532)
	<u>484,006</u>	<u>484,006</u>

15. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2017 £	2016 £
Net expenditure for the year (as per Statement of Financial Activities)	(295,268)	(379,675)
Adjustment for:		
Depreciation charges	19,190	17,202
Increase in debtors	(15,503)	(61,854)
Increase/(decrease) in creditors	289,042	(61,993)
Net cash used in operating activities	<u>(2,539)</u>	<u>(486,320)</u>

16. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2017 £	2016 £
Cash in hand	654,046	664,120
Total	<u>654,046</u>	<u>664,120</u>

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**Notes to the financial statements
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17. CAPITAL COMMITMENTS

There were no capital commitments at the balance sheet date.

18. PENSION COMMITMENTS

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £10,478 (2016 - £15,740). Contributions totalling nil (2016 - nil) were payable to the fund at the balance sheet date and are included in creditors.

19. OPERATING LEASE COMMITMENTS

At March 31, 2017 the total of the Charity's future minimum lease payments under non-cancellable operating leases was:

	2017 £	2016 £
Amounts payable:		
After more than 5 years	<u>863,148</u>	<u>863,148</u>

20. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions in FRS 102 "Related Party Disclosures" from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

21. FIRST TIME ADOPTION OF FRS 102

It is the first year that the company has presented its financial statements under SORP 2015 and FRS 102. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended March 31, 2016 and the date of transition to FRS 102 and SORP 2015 was therefore April 1, 2015. As a consequence of adopting FRS 102 and SORP 2015, a number of accounting policies have changed to comply with those standards.

The policies applied under the company's previous accounting framework are not materially different to FRS 102 and have not impacted on funds or net income/expenditure.

22. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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

23. SECURED DEBTS

CAN Mezzanine 2 Limited's sole member Bright Red Dot Foundation Limited holds loans secured over freehold property, with cross guarantee from CAN Mezzanine 2 Limited. The balance of these loans as at 31 March 2017 was £14,001,113.

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**Notes to the financial statements
for the year ended March 31, 2017**