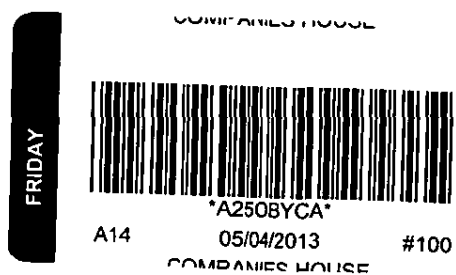


BIZSPACE (NE) LIMITED

Report and Financial Statements

For year ended 31 December 2011



BIZSPACE (NE) LIMITED

REPORT AND FINANCIAL STATEMENTS 2011

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REPORT AND FINANCIAL STATEMENTS 2011

OFFICERS AND PROFESSIONAL ADVISERS

Directors

G Evans
P Gubb
M Megan
H Wright

Secretary

G Evans

Registered office

Sovereign House
1 Albert Place
Finchley
N3 1QB

Bankers

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

Solicitors

Shoosmiths
Lock House
Castle Meadow Road
Nottingham
NG2 1AG

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading, United Kingdom

DIRECTORS' REPORT

The directors present their annual report on the affairs of the company together with the financial statements and auditor's report for the year ended 31 December 2011. These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime under part 15 of the Companies Act 2006.

Principal activity

The principal activity of the company is as an investment company.

Review of business and Going Concern

The company holds an interest in the Bizspace Partnership.

The directors' conclusion on going concern has been discussed in Note 1 to the financial statements.

Directors

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

Auditor



Each of the persons who is a director of the company at the date of approval of this report confirms that:

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information (as defined) and to establish that the company's auditor is aware of that information.

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

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

Approved by the Board of Directors and signed on behalf of the Board



M Megan

Director

4 April 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BIZSPACE (NE) LIMITED

We have audited the financial statements of Bizspace (NE) Limited for the year ended 31 December 2011 which comprise the profit and loss account, the balance sheet and the related notes 1 to 10. The financial reporting framework that has been applied in their preparation is applicable in law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

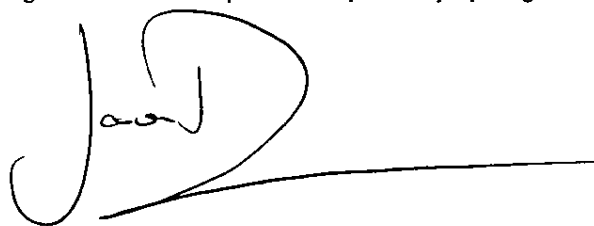
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit
- The directors were not entitled to take advantage of the small companies exemption in preparing the directors' report.

Jason Davis FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading, United Kingdom



4 April 2013

BIZSPACE (NE) LIMITED**PROFIT AND LOSS ACCOUNT**
For year ended 31 December 2011

	Note	2011 £	2010 £
Operating profit		-	-
Income from fixed asset investments	4	158	89,928
Profit on ordinary activities before taxation		158	89,928
Tax charge on profit on ordinary activities	5	-	-
Profit for the financial year		158	89,928

There are no recognised gains and losses for the current and prior year other than as stated in the profit and loss account. Accordingly a statement of total recognised gains and losses has not been prepared. All results are derived from continuing activities.

BIZSPACE (NE) LIMITED

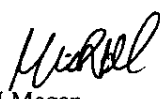
BALANCE SHEET

For year ended 31 December 2011

	Note	31 December 2011 £'000	31 December 2010 £'000
Fixed assets			
Investments	6	-	-
		-	-
Current assets			
Debtors falling due within one year	7	23	23
Debtors falling due in more than one year	7	10,490	10,490
		10,513	10,513
Net current assets		10,513	10,513
Net Assets		10,513	10,513
Capital and reserves			
Called up share capital	8	1	1
Share premium account	9	4,489	4,489
Profit and loss account deficit	9	(257)	(257)
Other reserve	9	6,280	6,280
Shareholders' funds	9	10,513	10,513

These financial statements of Bizspace (NE) Ltd, registered number 05325778 were approved by the Board of Directors on 4 April 2013

Signed on behalf of the Board of Directors


M Megan
Director

NOTES TO THE ACCOUNTS**For year ended 31 December 2011****1. ACCOUNTING POLICIES**

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

Basis of preparation and going concern

The Company is a wholly owned subsidiary of HXRUK II Limited. The Group is funded by a combination of shareholder loans and loan finance. During the period the Directors of HXRUK II Limited were in negotiation with the bank syndicate to refinance the loan facility following a breach of the loan to value covenant at 31 December 2011. The Directors have engaged pro-actively and co-operatively with the syndicate and these negotiations have now resulted in a revised Deed of Amendment and Facility Agreement which was signed by the Group's directors, effective on 19 March 2013.

The new loan facility extends until 31 December 2014. The key covenant tests are loan to value, interest cover and net indebtedness. These requirements are applicable throughout the remaining period of the loan. Upon signing the facility, the lenders and the Directors were aware of a forecast net indebtedness breach expected to materialise at 31 March 2013, due to the delay of asset sales in Q1 2013. The Directors are in receipt of a waiver from the lenders which delays the testing of the net indebtedness covenant to 30 June 2013. Notwithstanding the above, the Directors are satisfied that the group will be able to meet the requirements of the loan facility for the foreseeable future.

The Directors acknowledge there is an uncertainty in the market, particularly relating to property and rental values which can impact the key covenant metrics. The Directors have undertaken a robust and detailed process to prepare a revised business plan for the purposes of the refinancing which takes into account reasonably possible changes in rental income and property sales values. The plan includes the results of Bizspace (NE) Limited. Whilst compliance with the loan facility is contingent on the Directors crystallising the property and rental values as set out in the bank approved business plan, the Directors are satisfied there is appropriate headroom and mitigating actions, including the acceleration of the disposal programme to ensure compliance.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Accounting Convention

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

Taxation

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

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

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

NOTES TO THE ACCOUNTS
For year ended 31 December 2011

1 ACCOUNTING POLICIES (CONTINUED)

Cash flow statement

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

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

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

3 PROFIT AND LOSS ACCOUNT

The fee element for audit services provided to Bizspace (NE) Limited accounts for £2,000 (2010 £2,000) of the total audit fee The audit fee for the company is paid by a connected company Bizspace limited No non audit services were paid during the year

4. INCOME FROM FIXED ASSET INVESTMENT

Bizspace (NE) Ltd has an investment in Bizspace Limited Partnership which came into effect on 30 November 2007 and resulted in an income figure for 2011 of £158 (2010 (£89,928)

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
UK corporation tax	-	-

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 26% (2010 28%)
The actual tax charge for the current and the previous financial year varies from the standard rate for the reasons set out below

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Profit on ordinary activities before tax	158	89,928
Tax on ordinary activities at standard rate	39	25
Other timing difference	(39)	(25)
Current tax charge for year	-	-

A deferred tax asset has not been recognised in respect of timing differences relating to accelerated capital allowances and trading losses There is insufficient evidence that the assets will be recovered The amount of the asset not recognised is £438,950

NOTES TO THE ACCOUNTS
For year ended 31 December 2011

5. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

The asset would be recovered if the company makes future taxable profits against which assets can be utilised

6. FIXED ASSET INVESTMENTS

	Investment £
Investment in Bizspace Limited Partnership	
Cost	
At 1 January and 31 December 2011	176
Provision for impairment	
At 1 January and 31 December 2011	-
	<u>176</u>
Net book value	<u>176</u>

Bizspace (NE) Limited has a 0.176% interest in Bizspace Limited Partnership, a partnership governed by the law of England and Wales. Bizspace Limited Partnership's head office is Sovereign House, 1 Albert Place, Finchley, London, N3 1QB.

Bizspace (NE) Limited has taken advantage of the exemption in Regulation 7 of the Partnerships (Accounts) Regulations 2008 from the requirements for preparation, delivery and publication of accounts, in relation to its membership of Bizspace Limited Partnership.

7. DEBTORS

	2011 £'000	2010 £'000
Corporation Tax	23	23
Amounts owed by Group undertakings	10,490	10,490
	<u>10,513</u>	<u>10,513</u>

8. SHARE CAPITAL

	2011 £'000	2010 £'000
Authorised:		
1,000 ordinary shares of £1 each	1	1
Called up, allotted and fully paid:		
1,000 ordinary share of £1 each	1	1

NOTES TO THE ACCOUNTS
For year ended 31 December 2011

9. RECONCILIATION OF MOVEMENTS IN RESERVES AND SHAREHOLDERS' FUNDS

	Share premium account £'000	Share capital £'000	Profit and loss account deficit £'000	Other reserve £'000	2011 Total £'000	2010 Total £'000
Opening and closing shareholders' funds	4,489	1	(257)	6,280	10,513	10,513

On 30 November 2007 all properties were sold to Bizspace Limited Partnership, a group entity in which the company holds a fixed asset investment. At the date the revaluation reserve was transferred into another reserve which is non-distributable until cash payment is received or the properties are sold outside the group.

10. RELATED PARTY TRANSACTIONS

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

11. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The company is a wholly owned subsidiary of Highcross Investments limited Limited. HXRUK II Limited is the controlling party and ultimate parent of the company. HXRUK II Limited is owned by two Limited Partnerships, which are registered in the United States of America. These partnerships, which were formed to invest in regional UK commercial property for investors, are managed by a General Partner, Highcross Strategic Partners II LLC, a Delaware limited liability company.

The smallest group into which the results of the company are consolidated is Highcross Bugatti Limited, a company incorporated in the United Kingdom. The largest group into which the results of the company are consolidated is HXRUK II Limited, a company registered in Jersey.