

COMPANIES REGISTRY COPY

**Citygraze Limited
Financial Statements
For the year ended
31 December 2004**

Company Registration Number 3876060



Citygraze Limited

Financial Statements

Year ended 31 December 2004

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Citygraze Limited
Company Information

The Director	Mr. P. Shalson
Company Secretary	Mr. S. J. Pollins
Registered Office	Lanmor House 370/386 High Road Wembley Middlesex HA9 6AX
Auditors	Landau Morley Chartered Accountants & Registered Auditors Lanmor House 370/386 High Road Wembley Middlesex HA9 6AX

Citygraze Limited

The Director's Report

Year ended 31 December 2004

The director has pleasure in presenting his report and the financial statements of the company for the year ended 31 December 2004.

Principal Activities and Business Review

The principal activity of the company continued to be that of property dealing.

Results and Dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The director has not recommended a dividend.

Director

The director who served the company during the year was as follows:

Mr. P. Shalson

Mr. P. Shalson has 2 shares in the ultimate parent undertaking, SGI Limited, which represents a 100% shareholding.

Director's Responsibilities

Company law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year.

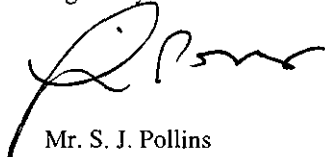
In preparing those financial statements, the director is required to select suitable accounting policies, as described on page 7, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The director must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. The director is 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

A resolution to re-appoint Landau Morley as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed by



Mr. S. J. Pollins
Director

Approved by the director on 28.10.05

Citygraze Limited

Independent Auditors' Report to the Shareholders of Citygraze Limited

Year ended 31 December 2004

We have audited the financial statements of Citygraze Limited for the year ended 31 December 2004 on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Director and Auditors

As described in the Statement of Director's Responsibilities the company's director is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

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

Basis of Audit Opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



Lanmor House
370/386 High Road
Wembley
Middlesex HA9 6AX

28/1/05

LANDAU MORLEY
Chartered Accountants
& Registered Auditors

Citygraze Limited**Profit and Loss Account****Year ended 31 December 2004**

	Note	2004 £	2003 £
Turnover	2	–	3,751,628
Cost of sales		47	2,892,106
Gross (Loss)/Profit		(47)	859,522
Administrative expenses		1,593	112,899
Other operating income		(351)	(60,790)
Operating (Loss)/Profit	3	(1,289)	807,413
Interest receivable		198	3,765
Interest payable and similar charges	5	–	(93,960)
(Loss)/Profit on Ordinary Activities Before Taxation		(1,091)	717,218
Tax on (loss)/profit on ordinary activities	6	–	–
(Loss)/Profit on Ordinary Activities after Taxation		(1,091)	717,218
Dividends	7	–	725,000
Loss for the Financial Year		(1,091)	(7,782)
Balance brought forward		3,653	11,435
Balance carried forward		<u>2,562</u>	<u>3,653</u>

All of the activities of the company are classed as discontinued.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 7 to 10 form part of these financial statements.

Citygraze Limited

Balance Sheet

31 December 2004

	Note	2004 £	2003 £
Current Assets			
Debtors	8	28,194	821,268
Cash at bank		8,535	15,712
		<u>36,729</u>	<u>836,980</u>
Creditors: Amounts Falling due Within One Year	9	<u>34,166</u>	<u>833,326</u>
Net Current Assets		<u>2,563</u>	<u>3,654</u>
Total Assets Less Current Liabilities		<u>2,563</u>	<u>3,654</u>
Capital and Reserves			
Called-up equity share capital	11	1	1
Profit and loss account		2,562	3,653
Shareholders' Funds	12	<u>2,563</u>	<u>3,654</u>

These financial statements were approved and signed by the director on 28.10.05



Mr. P. Shalson
Director

The notes on pages 7 to 10 form part of these financial statements.

Citygraze Limited**Cash Flow Statement****Year ended 31 December 2004**

		2004	2003
	Note	£	£
Net Cash Inflow From Operating Activities	13	717,625	2,898,702
Returns on Investments and Servicing of Finance	14	198	(90,195)
Equity Dividends Paid		(725,000)	(230,000)
Cash (Outflow)/Inflow Before Financing		(7,177)	2,578,507
Financing	15	-	(2,639,414)
Decrease in Cash	16	(7,177)	(60,907)

The notes on pages 7 to 10 form part of these financial statements.

Citygraze Limited

Notes to the Financial Statements

Year ended 31 December 2004

1. Accounting Policies

Basis of Accounting

The financial statements have been prepared under the historical cost convention.

Turnover

The turnover shown in the profit and loss account represents the amount receivable in respect of stock of properties sold during the year.

Deferred Taxation

Deferred tax is recognised in respect of all material timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

No provision has been made in respect of deferred tax as there are unlikely to be any timing differences in the foreseeable future.

2. Turnover

The turnover and loss before tax were derived from the company's principal activity which was carried out wholly in the United Kingdom.

3. Operating (Loss)/Profit

Operating (loss)/profit is stated after charging:

	2004 £	2003 £
Auditors' remuneration		
- as auditors	1,763	4,700

4. Particulars of Employees

No salaries or wages have been paid to employees, including the director, during the year.

5. Interest Payable

	2004 £	2003 £
Interest payable on bank borrowing	-	93,960

6. Taxation on Ordinary Activities

Factors affecting current tax charge

The tax assessed on the (loss)/profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2003 - 30%).

	2004 £	2003 £
(Loss)/profit on ordinary activities before taxation	(1,091)	717,218
Profit/(loss) on ordinary activities by rate of tax	(327)	215,165
Group relief	327	(215,165)
Total current tax	-	-

Citygraze Limited

Notes to the Financial Statements

Year ended 31 December 2004

7. Dividends

No dividend has been recommended for the year ended 31 December 2004.

8. Debtors

	2004 £	2003 £
Amounts owed by group undertakings	28,194	815,878
Other debtors	—	4,138
Prepayments and accrued income	—	1,252
	<u>28,194</u>	<u>821,268</u>

At the balance sheet date, the following amounts were due from related parties:

Amounts due from group undertakings:

Parent undertaking-SGI Limited	<u>28,194</u>	<u>815,878</u>
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Amounts within other debtors:

9. Creditors: Amounts Falling due Within One Year

	2004 £	2003 £
Dividends payable	—	725,000
Other creditors	26,875	27,347
Accruals and deferred income	7,291	80,979
	<u>34,166</u>	<u>833,326</u>

At the balance sheet date, the following amounts were due to related parties:

Amounts within other creditors:

Joint venture company - Brooks Place Properties Limited	<u>—</u>	<u>472</u>
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Accruals and deferred income includes management charges payable to SGI Limited in the sum of £NIL (2003:£58,750).

10. Controlling Party

The company is controlled by Mr. P. Shalson.

11. Share Capital

Authorised share capital:

	2004 £	2003 £
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	2004 No.	£	2003 No.	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

Citygraze Limited

Notes to the Financial Statements

Year ended 31 December 2004

12. Reconciliation of Movements in Shareholders' Funds

	2004	2003
	£	£
(Loss)/Profit for the financial year	(1,091)	717,218
Dividends	—	(725,000)
	(1,091)	(7,782)
Opening shareholders' equity funds	3,654	11,436
Closing shareholders' equity funds	<u>2,563</u>	<u>3,654</u>

13. Reconciliation of Operating (Loss)/Profit to Net Cash Inflow From Operating Activities

	2004	2003
	£	£
Operating (loss)/profit	(1,289)	807,413
Decrease in stocks	—	2,814,456
Decrease/(increase) in debtors	793,074	(597,086)
Decrease in creditors	(74,160)	(126,081)
Net cash inflow from operating activities	<u>717,625</u>	<u>2,898,702</u>

14. Returns on Investments and Servicing of Finance

	2004	2003
	£	£
Interest received	198	3,765
Interest paid	—	(93,960)
Net cash inflow/(outflow) from returns on investments and servicing of finance	<u>198</u>	<u>(90,195)</u>

15. Financing

	2004	2003
	£	£
Repayment of bank loans	—	(2,639,414)
Net cash outflow from financing	<u>—</u>	<u>(2,639,414)</u>

16. Reconciliation of Net Cash Flow to Movement in Net Funds

	2004		2003	
	£	£	£	£
Decrease in cash in the period	(7,177)		(60,907)	
Net cash outflow from bank loans	—		2,639,414	
		(7,177)		2,578,507
Change in net funds		(7,177)		2,578,507
Net funds at 1 January 2004		15,712		(2,562,795)
Net funds at 31 December 2004		<u>8,535</u>		<u>15,712</u>

Citygraze Limited

Notes to the Financial Statements

Year ended 31 December 2004

17. Analysis of Changes in Net Funds

	At 1 Jan 2004 £	Cash flows £	At 31 Dec 2004 £
Net cash:			
Cash in hand and at bank	15,712	(7,177)	8,535
Net funds	<u>15,712</u>	<u>(7,177)</u>	<u>8,535</u>

18. Ultimate Parent Company

The ultimate parent undertaking, SGI Limited, owns 100% of the company. SGI Limited is registered in England, is an investment holding company and trades as management consultants.

Citygraze Limited

Detailed Profit and Loss Account

Year ended 31 December 2004

	2004		2003
	£	£	£
Turnover		–	3,751,628
Cost of Sales			
Opening stock	–		2,814,456
Professional fees	–		4,200
Sales fees	–		62,058
Agents fees	47		11,392
		47	2,892,106
Gross (Loss)/Profit		(47)	859,522
Overheads			
Rates	–		645
Insurance	–		2,656
Repairs and renewals	–		51
Subscriptions	162		268
General expenses	30		30
Advertising and promotion	–		350
Non recoverable VAT	–		4,446
Legal and professional fees	(493)		9,055
Management charge	–		58,750
Accountancy and other non-audit fees	(29)		3,218
Auditors remuneration	1,763		4,700
Loan redemption fee	–		28,559
Bank charges	160		171
		1,593	112,899
		(1,640)	746,623
Other Operating Income			
Other operating income		351	60,790
Operating (Loss)/Profit		(1,289)	807,413
Interest receivable		198	3,765
		(1,091)	811,178
Overdraft & loan interest on loans within and after 5 years		–	(93,960)
(Loss)/Profit on Ordinary Activities		(1,091)	717,218