

Company Registration No. 3997848

SQUARE MILE REAL ESTATE SERVICES LIMITED

Report and Financial Statements

30 June 2004



SQUARE MILE REAL ESTATE SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 2004

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SQUARE MILE REAL ESTATE SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 2004

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R B Horvath	Resigned 29 October 2004
S D Lawther	Resigned 30 April 2004
T J Williams	
D W Parsley	
P R Clark	Resigned 12 September 2003
N G Bellis	Appointed 30 April 2004
L C Cummings	Appointed 30 April 2004
M Pearson	Appointed 30 April 2004

COMPANY SECRETARY

Interior plc	Resigned 30 April 2004
J M S Bellis	Appointed 30 April 2004

REGISTERED OFFICE

Phoenix House
11 Wellesley Road
Croydon
Surrey
CR0 2NW

BANKERS

The Royal Bank of Scotland plc
London City Office
62-63 Threadneedle Street
London EC2R 8LA

AUDITORS

Grant Thornton UK LLP
Chartered Accountants
Registered Auditors
Churchill House
Chalvey Road East
Slough
Berkshire
SL1 2LS

SQUARE MILE REAL ESTATE SERVICES LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2004.

RESULTS AND DIVIDENDS

The results for the year and the state of the company's affairs are as set out in the attached financial statements. The directors do not recommend the payment of a dividend (2003 - nil). Retained losses of £5,213 (2003 - £188,473) have been transferred from reserves.

REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

The principal activity of the company is property management and advice. The directors consider the company will continue to trade at existing levels for the foreseeable future.

The company continued to manage properties in the City of London. During the year ended 30 June 2003 company's trading assets and liabilities were transferred to its parent company, ISG Occupancy Limited and the company became a 100% subsidiary of ISG Occupancy Limited. All services provided to clients were fully subcontracted to ISG Occupancy Limited.

DIRECTORS AND THEIR INTERESTS

The directors of the company are those listed on page 1. All served throughout the year unless otherwise stated. None of the directors held any interests in the shares of the company or any group company, except where disclosed below.

The ultimate parent company of the group until 30 April 2004 was Interior Services Group plc and the interests of R B Horvath and S D Lawther at 30 June 2003 are shown in that company's accounts. D W Parsley held 90,878 Ordinary shares in Interior Services Group plc on 30 June 2003.

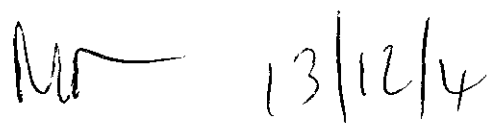
On 30 April 2004 the group was acquired by Erinaceous Group plc and the interests of directors and their families in the shares of that company at 30 June 2004 were as follows:

		30 June 2004 Number of Ordinary 0.5p shares
N G Bellis	(appointed 30 April 2004)	
- directly		7,910,340
- close family		972,752
L C Cummings	(appointed 30 April 2004)	7,910,340
M Pearson	(appointed 30 April 2004)	76,300

AUDITORS

Grant Thornton UK LLP were appointed auditors on 23 July 2004 to fill a casual vacancy in accordance with section 388(1) of the Companies Act 1985. Special Notice pursuant to section 388(3) having been given, a resolution to re-appoint Grant Thornton UK LLP as auditors' will be proposed at the Annual General Meeting.

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



M Pearson

Director

SQUARE MILE REAL ESTATE SERVICES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year. In preparing those financial statements, the directors 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 standards have been followed; 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SQUARE MILE REAL ESTATE SERVICES LIMITED

We have audited the financial statements of Square Mile Real Estate Services Limited for the year ended 30 June 2004 which comprise the profit and loss account, the balance sheet and related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

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 directors' 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 directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the directors' report, and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

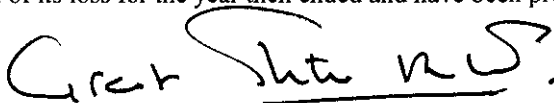
Basis of opinion

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 directors 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 30 June 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LONDON THAMES VALLEY OFFICE
SLOUGH

22 December 2004.

SQUARE MILE REAL ESTATE SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 30 June 2004

	Note	2004 £	2003 £
Turnover	1, 2	1,351,687	1,056,318
Cost of sales		<u>(1,351,687)</u>	<u>(536,964)</u>
Gross profit		-	519,354
Exceptional costs	11	-	(355,000)
Other administrative expenses		470	(426,080)
Administrative expenses		<u>470</u>	<u>(781,080)</u>
Operating profit/(loss)	3	470	(261,726)
Interest receivable	6	-	4,729
Interest payable and similar charges	7	<u>(3,631)</u>	<u>-</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(3,161)	(256,997)
Tax (charge)/credit on loss on ordinary activities	8	<u>(2,052)</u>	<u>68,524</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR TRANSFERRED FROM RESERVES		<u>(5,213)</u>	<u>(188,473)</u>

All results in the current year derive from continuing operations.

There were no recognised gains or losses in the current year and preceding year other than as stated above. Accordingly no statement of total recognised gains and losses is presented.

SQUARE MILE REAL ESTATE SERVICES LIMITED

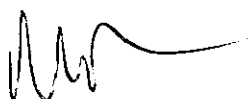
BALANCE SHEET

As at 30 June 2004

	Note	2004 £	2003 £
CURRENT ASSETS			
Debtors	9	165,769	336,612
Cash at bank and in hand		2,059	8,084
		<u>167,828</u>	<u>344,696</u>
CREDITORS: amounts falling due within one year	10	<u>(31,216)</u>	<u>(18,267)</u>
NET CURRENT ASSETS		<u>136,612</u>	<u>326,429</u>
PROVISIONS FOR LIABILITIES AND CHARGES	11	<u>(170,396)</u>	<u>(355,000)</u>
NET LIABILITIES		<u>(33,784)</u>	<u>(28,571)</u>
CAPITAL AND RESERVES			
Called up share capital	12	1	1
Profit and loss account	13	<u>(33,785)</u>	<u>(28,572)</u>
EQUITY SHAREHOLDER'S DEFICIT	14	<u>(33,784)</u>	<u>(28,571)</u>

These financial statements were approved by the Board of Directors on 13/12/4

Signed on behalf of the Board of Directors



M Pearson

Director

SQUARE MILE REAL ESTATE SERVICES LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 June 2004

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. A summary of principal accounting policies, all of which have been applied consistently during the period, is set out below:

Accounting convention

The financial information set out in this report has been prepared under the historical cost convention.

Turnover

Turnover which is stated net of value added tax represents the sales value of work done in the period, including estimates in respect of amounts still to be invoiced.

Leases

Operating lease rentals are charged to profit and loss in equal amounts over the lease term.

Pensions

Pensions contributions represent payments made to the personal pension plans of employees under a salary waiver arrangement. The contributions are charged to the profit and loss account as they fall due.

2. SEGMENTAL INFORMATION

All of the company's activity during the year was performed in the United Kingdom and was derived from the company's principal activity. All of the company's net assets are held in the UK.

3. OPERATING PROFIT/(LOSS)

	2004 £	2003 £
Operating profit/(loss) is stated after charging:		
Depreciation – owned assets	-	14,124
Rentals under operating leases – other	-	30,960
Auditors' remuneration:		
Audit fees*	-	6,000
Non audit fees	-	2,000

*All audit fees for the group have been paid by the immediate parent company ISG Occupancy Limited.

4. DIRECTORS' REMUNERATION

	2004 £	2003 £
Aggregate emoluments (excluding pension contributions)	-	52,950
Highest paid director's remuneration: aggregate emoluments	-	30,000

The company also paid pension contributions totalling £nil (2003 - £3,444) during the period, of which £nil (2003 - £nil) related to the highest paid director.

SQUARE MILE REAL ESTATE SERVICES LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 June 2004

5. STAFF COSTS

	2004 £	2003 £
Salaries	-	213,368
Social security costs	-	21,733
Pension costs	-	24,956
	<u>-</u>	<u>260,057</u>

Where relevant, the above analysis includes amounts paid to directors.

The only pension contributions made by the company are to employee's personal pension schemes.

Employees

Average monthly number of persons including directors employed by the company in the period:

	2004 No.	2003 No.
Professional	-	4
Administrative	-	2
	<u>-</u>	<u>6</u>

6. INTEREST RECEIVABLE

	2004 £	2003 £
Bank interest receivable	-	4,729
	<u>-</u>	<u>4,729</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £	2003 £
Interest on corporation tax payments	<u>3,631</u>	<u>-</u>

SQUARE MILE REAL ESTATE SERVICES LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 June 2004

8. TAX CHARGE/(CREDIT) ON LOSS ON ORDINARY ACTIVITIES

The tax charge/(credit) on the loss on ordinary activities was as follows:

	2004 £	2003 £
Group relief receivable	(948)	(71,941)
Adjustment in respect of prior period	3,000	3,417
	<u>2,052</u>	<u>(68,524)</u>

Factors affecting the tax charge/(credit) for the year

The tax charge/(credit) for the period is different than that resulting from applying the standard rate of corporation tax in the United Kingdom of 30% (2003 - 30%). The differences are explained below:

	2004 £	2003 £
Loss on ordinary activities before taxation	<u>(3,161)</u>	<u>(256,997)</u>
Tax at 30% thereon	(948)	(77,099)
Effects of:		
Expenses not deductible for tax purposes	-	4,623
Movements in short term timing differences	-	(150)
Capital allowances in excess of depreciation	-	685
Adjustment in respect of prior periods	3,000	3,417
Tax charge/(credit) for the year	<u>2,052</u>	<u>(68,524)</u>

SQUARE MILE REAL ESTATE SERVICES LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 June 2004

9. DEBTORS

	2004 £	2003 £
Trade debtors	68,433	46,297
Amounts due from group undertakings	96,388	218,374
Group relief receivable	948	71,941
	<u>165,769</u>	<u>336,612</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £	2003 £
Other taxation and social security costs	<u>31,216</u>	<u>18,267</u>

11. PROVISIONS FOR LIABILITIES AND CHARGES

	Total £
As at 1 July 2003	355,000
Utilised in the year	(184,604)
As at 30 June 2004	<u>170,396</u>

Onerous rental contract

A leased building has ceased to be occupied and as such the contract has become onerous. Provision has been made for the full cost of the lease (after making reasonable assumption on when the property will be sub-let) through to its expiry on 23 September 2005.

12. CALLED UP SHARE CAPITAL

	2004 Number	2004 £	2003 Number	2003 £
Authorised:				
Ordinary shares of £1 each (2003 – £1 each)	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Allotted, called up and fully paid:				
Ordinary shares of £1 each (2003 – £1 each)	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

13. PROFIT AND LOSS ACCOUNT

	2004 £	2003 £
At 1 July 2003	(28,572)	159,901
Loss for the financial year	<u>(5,213)</u>	<u>(188,473)</u>
At 30 June 2004	<u>(33,785)</u>	<u>(28,572)</u>

SQUARE MILE REAL ESTATE SERVICES LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 June 2004

14. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDER'S FUNDS

	2004 £	2003 £
Opening equity shareholder's funds	(28,571)	159,902
Loss for the financial period	(5,213)	(188,473)
Closing equity shareholder's deficit	<u>(33,784)</u>	<u>(28,571)</u>

15. CAPITAL AND OTHER COMMITMENTS

At 30 June 2004, the company had no capital commitments (2003 – nil).

Operating leases

The company's minimum annual commitments under operating leases for land and buildings at 30 June are as follows:

	2004 £	2003 £
Operating leases which expire:		
Within two to five years	<u>92,880</u>	<u>92,880</u>

16. RELATED PARTY TRANSACTIONS

No related party transactions between the company and other group undertakings have been disclosed, as permitted by paragraph 3(c) of Financial Reporting Standard 8 – Related Party Disclosures.

The names of other group undertakings are set out in the financial statements of ISG Occupancy Limited, the immediate parent undertaking.

During the year the company supplied and acquired services as follows:

	2004 £	2003 £
Services acquired		
** Interior plc – subsidiary of Interior Services Group plc	<u>-</u>	<u>23,983</u>

There were no amounts due to/from related parties at the year end (2003 – nil)

** Interior Services Group plc and its subsidiaries and joint ventures were related parties until 30 April 2004 when ISG Occupancy group were acquired by Erinaceous Group plc. From 30 April 2004 Erinaceous Group plc and its subsidiaries are related parties.

SQUARE MILE REAL ESTATE SERVICES LIMITED

NOTES TO THE ACCOUNTS

Year ended 30 June 2004

17. ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking is ISG Occupancy Limited, a company incorporated in Great Britain and registered in England and Wales.

The company's ultimate parent undertaking and controlling party is Erinaceous Group plc, a company incorporated in Great Britain and registered in England and Wales.

Copies of the ISG Occupancy Limited financial statements are available from the Company Secretary, Erinaceous Group plc, Phoenix House, 11 Wellesley Road, Croydon, Surrey, CR0 2NW. These financial statements are both the smallest and the largest group under which consolidated accounts are prepared for the year ended 30 June 2004.