

Registered number
4329790

Industrial Securities Group Limited
Directors' Report and Consolidated Accounts
for the year ended 31 December 2008



Industrial Securities Group Limited
Directors' report and consolidated accounts
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Industrial Securities Group Limited

Directors' report

The directors present their annual report and the audited financial statements of the company and its subsidiaries for the year ended 31 December 2008

Principal activities

The group's principal activities during the year continued to be property management and investment

Results and dividends

The group's loss for the year before taxation amounted to £12,194,946 (2007 Profit £638,494) and this was transferred to reserves

Interim dividends totalling £nil (2007 £3,000,000) were paid during the year. The directors do not recommend payment of a final dividend

Review of the business and future developments

The directors consider the level of business and the financial position at the year end to be satisfactory. The shareholders' funds at the year end stood at £37,236

The major issue during the year was the group's working capital requirements. It was and still is the intention of the group's directors to ensure that any additional funding required by the group is provided for

The principal risks facing a property management company are

- 1) A rise in recovery levels
- 2) Late payment of management fees

The directors will continue to ensure that it manages its cashflow and costs in this uncertain market

Key performance indicators (KPI)

The directors are of the opinion that given the nature of this business, KPI's are not necessary

Financial instruments

The group's principal financial instruments comprise bank balances, loans to related companies, other debtors, other creditors and bank loans. These instruments finance the group's operations. The bank loans and overdrafts facilities are secured by charges over the group's assets. Loans to related companies and other debtors are managed in respect of credit and cash flow by regular monitoring. Other creditors' liquidity risk is managed by assuring sufficient funds are available to meet amounts due

Directors

The directors who served during the year were as follows

T S Cole
N W Lax
M N Steinberg

Industrial Securities Group Limited
Directors' report

Political and charitable donations

During the year, the company made no charitable contributions and no donations were made to political parties

Policy and practice on payment of creditors

The group's policy is to pay suppliers by the due date specific to each transaction. At 31 December 2008 the group had 10 days (2007: 9 days) purchases outstanding and the company had nil days (2007: nil days) purchases outstanding.

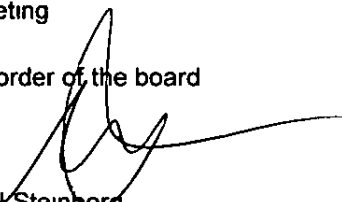
Statement of disclosure to auditor

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

Auditors

A resolution to reappoint J B Klein & Partners as auditors will be put to the members at the Annual General Meeting.

By order of the board


M N Steinberg
Secretary

10 Upper Berkeley Street
London
W1H 7PE

10 FEB 2010

Industrial Securities Group Limited

Statement of directors' responsibilities

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

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 and the group and of the profit or loss for that period. 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). 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group will continue in business

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors of a company must, in determining how amounts are presented within items in the profit and loss account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles and practice.

**Independent auditors' report
to the members of Industrial Securities Group Limited**

We have audited the consolidated financial statements of Industrial Securities Group Limited which comprise the consolidated profit and loss account, the consolidated balance sheet, the company balance sheet, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

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 directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

**Independent auditors' report
to the members of Industrial Securities Group Limited (continued)**

Fundamental Uncertainty - Going Concern

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements, concerning the possible outcome of the tax planning case against HM Revenue & Customs. The future settlement could result in substantial additional liabilities which would have a serious impact on the business. These circumstances indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include adjustments that would result if the group was unable to continue as a going concern.

Details of the circumstances relating to this fundamental uncertainty are described in Note 20. Our opinion is not qualified in this respect.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and of the group as at 31st December 2008 and of the group's loss and cash flows for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements



JB Klein & Partners
Chartered Certified Accountants and Registered Auditors

10 Argyll Street
London
W1F 7TQ

10 FEB 2010

Industrial Securities Group Limited
Consolidated profit and loss account
for the year ended 31 December 2008

	Notes	2008 £	2007 £
Turnover: Group and share of joint ventures	2	2,710,305	4,148,907
Group Turnover		<u>2,710,305</u>	<u>4,148,907</u>
Cost of sales	3	(110,596)	(1,470,418)
Gross profit		<u>2,599,709</u>	<u>2,678,489</u>
Administrative expenses		(3,971,512)	(3,171,505)
Exceptional item	5	(12,053,047)	-
Group operating loss		<u>(13,424,850)</u>	<u>(493,016)</u>
Dividend received		138,500	-
Bank interest receivable and similar income		1,433,897	1,317,716
Interest payable and similar charges	6	(342,493)	(186,206)
(Loss)/profit on ordinary activities before taxation	7	(12,194,946)	638,494
Tax on (loss)/profit on ordinary activities	8	643	(216,995)
(Loss)/profit on ordinary activities after taxation		<u>(12,194,303)</u>	<u>421,499</u>
Minority interest		(10,818)	(19,161)
(Loss)/profit for the financial year	15	<u><u>(12,205,121)</u></u>	<u><u>402,338</u></u>

All the above amounts relate to continuing activities

Statement of total recognised gains and losses

The company has no recognised gains or losses other than the (loss)/profit for the above two financial years

The notes on pages 10 - 20 form part of these financial statements

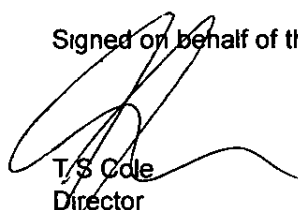
Industrial Securities Group Limited
Consolidated balance sheet
as at 31 December 2008

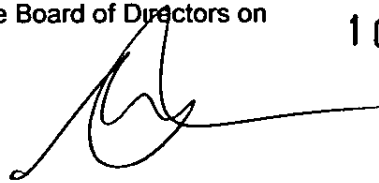
	Notes	2008 £	2007 £
Fixed assets			
Intangible assets	9	2,421	3,027
Tangible assets	10	89,869	72,943
		<u>92,290</u>	<u>75,970</u>
Current assets			
Debtors amounts falling due within one year	12	6,789,991	18,498,577
Cash at bank and in hand		144,104	215,215
		<u>6,934,095</u>	<u>18,713,792</u>
Creditors: amounts falling due within one year	13	(6,998,352)	(6,564,367)
Net current (liabilities)/assets		<u>(64,257)</u>	<u>12,149,425</u>
Total assets less current liabilities		<u>28,033</u>	<u>12,225,395</u>
Equity minority Interest		9,203	16,962
Net assets		<u>37,236</u>	<u>12,242,357</u>
Capital and reserves			
Called up share capital	14	11,897,504	11,897,504
Other reserves	15	965,834	965,834
Profit and loss account	15	(12,826,102)	(620,981)
Equity shareholders funds	16	<u>37,236</u>	<u>12,242,357</u>

These financial statements were approved by the Board of Directors on

10 FEB 2010

Signed on behalf of the Board of Directors


T. S. Cole
Director


M N Steinberg
Director

The notes on pages 10 - 20 form part of these financial statements

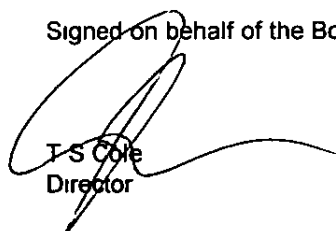
Industrial Securities Group Limited
Company balance sheet
as at 31 December 2008

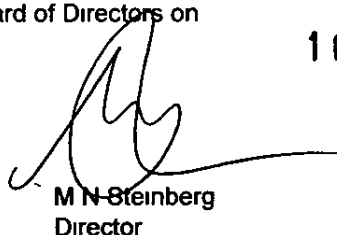
	Notes	2008 £	2007 £
Fixed assets			
Investments	11	26,490	27,490
Current assets			
Debtors amounts falling due within one year	12	12,767,554	23,586,521
Cash at bank and in hand		<u>14,742</u>	<u>93,620</u>
		12,782,296	23,680,141
Creditors: amounts falling due within one year	13	<u>(9,634,947)</u>	<u>(9,598,049)</u>
Net current assets		3,147,349	14,082,092
Net assets		<u>3,173,839</u>	<u>14,109,582</u>
Capital and reserves			
Called up share capital	14	11,897,504	11,897,504
Other reserves	15	965,834	965,834
Profit and loss account	15	(9,689,499)	1,246,244
Equity shareholders funds	16	<u>3,173,839</u>	<u>14,109,582</u>

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors

10 FEB 2010


T S Cole
Director


M N Steinberg
Director

Company registration number 04329790

The notes on pages 10 - 20 form part of these financial statements

Industrial Securities Group Limited
Consolidated cash flow statement
for the year ended 31 December 2008

	Notes	2008 £	2007 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating loss		(13,424,850)	(493,016)
Depreciation charges		13,291	8,044
Amortisation of goodwill		606	606
Decrease/(increase) in debtors		11,697,768	(14,516,441)
(Decrease)/increase in creditors		(520,742)	2,050,029
(Increase)/decrease in minority interests		7,759	19,959
Net cash outflow from operating activities		(2,226,168)	(12,930,819)
CASH FLOW STATEMENT			
Net cash outflow from operating activities		(2,226,168)	(12,930,819)
Dividend received	17	138,500	-
Returns on investments and servicing of finance	17	1,091,404	1,131,510
Taxation	17	(539,731)	(1,046,678)
Capital expenditure	17	(30,217)	(42,797)
Acquisitions and disposals	17	-	-
		(1,566,212)	(12,888,784)
Equity dividends paid		-	(3,000,000)
Cash outflow before use of liquid resources and financing		(1,566,212)	(15,888,784)
Financing	17	-	-
Increase/(decrease) in Cash		(1,566,212)	(15,888,784)
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash in the period		(1,566,212)	(15,888,784)
Decrease/(increase) in debt and lease financing		-	-
Change in net debt	18	(1,566,212)	(15,888,784)
Net debt at 1 January		(3,176,713)	12,712,071
Net debt at 31 December		(4,742,925)	(3,176,713)

The notes on pages 10 - 20 form part of these financial statements

Industrial Securities Group Limited

Notes

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements except as noted below. The Group has adopted FRS 18 'Accounting policies' and FRS 19 'Deferred tax' in these financial statements.

Accounting convention

The financial statements have been prepared under the historical cost accounting rules, modified by the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

Consolidated accounts

The consolidated financial statements of the Group incorporate the assets and liabilities of the Company and its subsidiary undertakings and the results for the period when they were part of the Group. Results of subsidiary companies acquired during the period are included from the date of acquisition. Results of subsidiary companies disposed of during the period are included up to the date of disposal.

Company accounts

As permitted by Section 230 of the Companies Act 1985, a separate profit and loss account is not presented for the Company. The Company's retained loss for the period is disclosed in note 14.

Properties

Investment properties and properties in the course of development for investment purposes are included in the balance sheet at their open market value at the balance sheet date on the basis of an annual professional valuation. Aggregate surpluses or deficits arising on valuation are transferred to a revaluation reserve. Impairment in the value of properties to below their carrying values are charged directly to the profit and loss account.

Additions to investment properties include only costs of a capital nature and certain refurbishment expenditure. Costs such as interest and other property outgoings are treated as revenue expenditure and written off as incurred.

Additions to development properties include the cost of finance charges gross of taxation less any income attributable to the property. For this purpose, the interest rate is either the actual rate payable on specific borrowings to fund the project or, if financed out of general funds, the average interest payable on borrowings in the year, excluding the debenture which funds investment properties.

Development properties are treated as complete and are transferred to investment properties at the earliest of

- a the date when income exceeds outgoings, other than development costs,
- b the date when the property is substantially let and income producing, or
- c the practical completion

Industrial Securities Group Limited

Notes

Properties (continued)

In accordance with SSAP 19 (as amended) no depreciation or amortisation is provided in respect of freehold and leasehold investment properties. This treatment, as regards certain of the Group's investment properties, is a departure from the requirements of the Companies Act 1985 concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the Directors consider that systematic annual depreciation would be inappropriate. The accountancy policy adopted is necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the factors reflected in annual valuation, and the amount which might otherwise be shown, cannot be separately identified or quantified.

Turnover

Turnover represents sale proceeds of trading and other properties, management fees and rents receivable during the period (all excluding value added tax).

Recognition of profits

Purchases and sales of properties are accounted for as follows:

Investment properties	upon exchange of unconditional contracts
Trading properties	upon completion of contracts,
Ground rents and similar interest	upon receipt of cash

Depreciation

Depreciation is calculated as to write off the cost less estimated residual value of fixtures, fittings and equipment by equal instalments over their estimated useful life of 5 years. No depreciation is provided on long leasehold or freehold properties.

Deferred taxation

As explained above, the Group has adopted the provisions of accounting standard FRS 19 'Deferred tax'. As a result deferred tax is now provided in respect of all timing differences that have originated but not reversed at the balance sheet date where an event has occurred that results in an obligation to pay more or less tax in the future, except that:

a provision is not made in respect of property revaluation surpluses unless an unconditional sales agreement has been signed and rollover relief is not available to cover any gain arising, and

b deferred tax assets are recognised only to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the relevant timing differences can be deducted.

Deferred tax is measured on a non discounted basis at the tax rates which apply at the balance sheet date.

Goodwill

Goodwill arising on consolidation is written off in equal instalments over 10 years.

Industrial Securities Group Limited
Notes

2 Turnover	2008	2007
	£	£
Fees receivable	2,710,305	4,148,907
	<u>2,710,305</u>	<u>4,148,907</u>

All activity is carried out within the European Union

3 Cost of Sales	2008	2007
	£	£
Direct property costs and property management fees	110,596	1,470,418
	<u>110,596</u>	<u>1,470,418</u>

4 Staff costs	2008	2007
	£	£
Wages and salaries	418,893	324,104
Directors' emoluments	586,471	597,500
Social security costs (including directors)	<u>123,333</u>	<u>101,864</u>

	2008	2007
	Number	Number
Directors' emoluments, excluding pension contributions, fell within the following ranges		
£85,001 - £90,000	1	-
£95,001 - £100,000	-	1
£245,001 - £250,000	<u>2</u>	<u>2</u>

5 Exceptional item	2008	2007
	£	£
Bad debts	1,000,000	-
Provision for doubtful debts	11,053,047	-
	<u>12,053,047</u>	<u>-</u>

Due to the problems in the property market, the company has had to make substantial provisions for irrecoverable amounts due from related companies

6 Interest payable	2008	2007
	£	£
Bank loans and overdrafts - Group	<u>342,493</u>	<u>186,206</u>

Industrial Securities Group Limited
Notes

7 Notes to the profit and loss account

(Loss)/ profit on ordinary activities before taxation is stated after charging	2008 £	2007 £
Depreciation	13,291	8,044
Auditors' remuneration for audit services	<u>30,000</u>	<u>30,000</u>

8 Taxation

	2008 £	2007 £
Taxation based on (loss)/profit for the year		
UK corporation tax at 29% (2007 30%)	(3,536,534)	191,548
Adjustment in respect of prior years	(643)	25,198
Expenses disallowed	3,518,522	27,530
Group relief	-	(27,281)
Surplus management expenses carried/ (brought) forward	<u>18,012</u>	<u>-</u>
Total corporation tax and similar taxes	<u>(643)</u>	<u>216,995</u>

9 Intangible fixed assets

Group	2008 £
At 1 January 2008	3,027
Amortisation	<u>(606)</u>
At 31 December 2008	<u>2,421</u>

Industrial Securities Group Limited
Notes

10 Tangible fixed assets

Group

	Plant and machinery £	Total £
Cost or valuation		
At 1 January 2008	87,054	87,054
Additions	5,142	5,142
Exchange difference	29,921	29,921
Disposals	-	-
At 31 December 2008	<u>122,117</u>	<u>122,117</u>
Depreciation:		
At 1 January 2008	14,111	14,111
Charge for the year	13,291	13,291
Exchange difference	4,846	4,846
On disposals	-	-
At 31 December 2008	<u>32,248</u>	<u>32,248</u>
Net book value		
At 31 December 2008	<u>89,869</u>	<u>89,869</u>
At 31 December 2007	<u>72,943</u>	<u>72,943</u>

11 Investments

Company

	Investments in subsidiary undertakings £	Total £
Cost		
At 1 January 2008	15,333,978	15,333,978
Additions	-	-
Disposals	-	-
Reclassification	-	-
At 31 December 2008	<u>15,333,978</u>	<u>15,333,978</u>
Provision for diminution in value		
At 1 January 2008	(15,306,488)	(15,306,488)
Provided in year	(1,000)	(1,000)
At 31 December 2008	<u>(15,307,488)</u>	<u>(15,307,488)</u>
Book value		
At 31 December 2008	<u>26,490</u>	<u>26,490</u>
At 31 December 2007	<u>27,490</u>	<u>27,490</u>

The directors consider the investments to be worth at least cost

Industrial Securities Group Limited
Notes

11 Investments (continued)

Principal Subsidiary Companies

	Shares held	
	Class	%
Industrial Securities (Basingstoke) Limited	Ordinary	51
Industrial Securities (Bristol) Limited	Ordinary	100
Industrial Securities (Cambridge) Limited	Ordinary	100
Industrial Securities (Chadderton) Limited	Ordinary	100
Industrial Securities (CLG) Limited	Ordinary	100
Cinnamon Limited	Ordinary	90
Industrial Securities (Developments) Limited	Ordinary	100
Giltagent Limited	Ordinary	100
Industrial Securities (Holdings One) Limited	Ordinary	90
Industrial Securities (Holdings Two) Limited	Ordinary	90
Industrial Securities (Investments) Limited	Ordinary	100
Industrial Securities Limited	Ordinary	90
Industrial Securities (Interchange East) Limited	Ordinary	90
Industrial Securities (Management) Limited	Ordinary	100
Industrial Securities (Newcastle) Limited	Ordinary	100
Industrial Securities (Number One) Limited	Ordinary	90
Industrial Securities (Number Two) Limited	Ordinary	90
Industrial Securities (Number Three) Limited	Ordinary	90
Industrial Securities (Preston) Limited	Ordinary	100
Industrial Securities (Properties) Limited	Ordinary	90
Industrial Securities (Ventures) Limited	Ordinary	100
Industrial Securities (Wakefield) Limited	Ordinary	100
Industrial Securities (Wednesbury) Limited	Ordinary	100
ISB Holdings Limited	Ordinary	100
Ever 1981 Limited	Ordinary	100
Ever 1982 Limited	Ordinary	100
IS Management France SA	Ordinary	90

All subsidiary companies except Cinnamon Limited and IS Management France SA are registered in England and Wales. All companies are included in the consolidated accounts. Cinnamon Limited is registered in Jersey. IS Management France SA is registered in France.

Ever 1981 Limited and Ever 1982 Limited are equal partners in IS Wynyard LLP.

All companies are engaged in property investment, management and development in the United Kingdom and European Union.

Industrial Securities Group Limited
Notes

12 Debtors: amounts falling due within one year

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Trade debtors	349,654	644,501	-	-
Other debtors	6,440,337	17,854,076	5,980,533	5,772
Amounts owed from group undertakings	-	-	6,787,021	23,580,749
	<u>6,789,991</u>	<u>18,498,577</u>	<u>12,767,554</u>	<u>23,586,521</u>

13 Creditors: amounts falling due within one year

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Bank loans and overdrafts	4,887,029	3,391,928	4,753,259	3,391,747
Trade creditors	15,915	124,156	-	-
Amounts owed to group undertakings	631,488	1,364,943	3,814,105	5,904,777
Corporation tax	33,350	573,724	50,000	141,873
Shareholder loans	850,000	-	850,000	-
Other creditors including taxation and social security	350,928	704,241	29,481	71,360
Accruals and deferred income	229,642	405,375	138,102	88,292
	<u>6,998,352</u>	<u>6,564,367</u>	<u>9,634,947</u>	<u>9,598,049</u>

The parent company and its subsidiaries' bank loans and overdrafts at Bank of Scotland are secured by way of a debenture

Industrial Securities Group Limited
Notes

14 Share capital

	2008	2007
	£	£
Authorised		
18,500,000 Ordinary A shares of 75p each	13,875,000	13,875,000
1,000,000 Ordinary B shares of 75p each	750,000	750,000
500,000 Ordinary C share of 75p each	375,000	375,000
	<u>15,000,000</u>	<u>15,000,000</u>

	2008	2007
	£	£
Allotted, called up and fully paid		
Ordinary A shares of 75p each	10,993,693	10,993,693
Ordinary B shares of 75p each	528,811	528,811
Ordinary C shares of 75p each	375,000	375,000
	<u>11,897,504</u>	<u>11,897,504</u>

Movement in share capital

	2008	2007
	£	£
At 1 January 2008	11,897,504	15,863,338
Transfer to reserves	-	(3,965,834)
At 31 December 2008	<u>11,897,504</u>	<u>11,897,504</u>

During the previous year, the nominal value of each class of ordinary shares was reduced from £1 to 75 pence per share. The company obtained the Order relating to the reduction of the company's share capital from the High Court on 31 January 2007.

A Special Resolution requiring a 75% shareholder majority is required before the directors before the directors can or will issue authorised but unissued shares. Such resolution expires after 5 years and there are currently no active resolutions.

Industrial Securities Group Limited
Notes

15 Reserves

Group	Other reserves		Profit and loss account	
	2008	2007	2008	2007
	£	£	£	£
At 1 January	965,834	-	(620,981)	(1,023,319)
(Loss)/ profit for the year	-	-	(12,205,121)	402,338
Dividends paid	-	(3,000,000)	-	-
Reduction in share capital	-	3,965,834	-	-
At 31 December	<u>965,834</u>	<u>965,834</u>	<u>(12,826,102)</u>	<u>(620,981)</u>

Company	Other reserves		Profit and loss account	
	2008	2007	2008	2007
	£	£	£	£
At 1 January	965,834	-	1,246,244	(745,855)
(Loss)/ profit for the year	-	-	(10,935,743)	1,992,099
Dividends paid	-	(3,000,000)	-	-
Reduction in share capital	-	3,965,834	-	-
At 31 December	<u>965,834</u>	<u>965,834</u>	<u>(9,689,499)</u>	<u>1,246,244</u>

16 Reconciliation of movement in shareholders' funds

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
At 1 January	12,242,357	14,840,019	14,109,582	15,117,483
(Loss)/ profit for the year	(12,205,121)	402,338	(10,935,743)	1,992,099
Dividends paid	-	(3,000,000)	-	(3,000,000)
At 31 December	<u>37,236</u>	<u>12,242,357</u>	<u>3,173,839</u>	<u>14,109,582</u>

Industrial Securities Group Limited
Notes

17 Gross cash flows	2008	2007
	£	£
Returns on investments and servicing of finance		
Interest received	1,433,897	1,317,716
Bank and loan interest payable	(342,493)	(186,206)
	<u>1,091,404</u>	<u>1,131,510</u>
Taxation	<u>(539,731)</u>	<u>(1,046,678)</u>
Dividend received	<u>138,500</u>	<u>-</u>
Capital expenditure	2008	2007
	£	£
Exchange differences	(25,075)	-
Payments to acquire tangible fixed assets	(5,142)	(44,257)
	<u>(30,217)</u>	<u>(44,257)</u>
Financing	2008	2007
	£	£
Loans advanced	-	-
Loans repaid	-	-
	<u>-</u>	<u>-</u>

18 Analysis of changes in net debt

	At 1 January 2008	Cash flows	Other non cash changes	At 31 December 2008
	£	£	£	£
Cash at bank and in hand	215,215	(71,111)	-	144,104
Overdrafts	-	-	-	-
		<u>(71,111)</u>		
Debt due within 1 year	(3,391,928)	(1,495,101)	-	(4,887,029)
Debt due after 1 year	-	-	-	-
Finance leases	-	-	-	-
		<u>(1,495,101)</u>		
Total	<u>(3,176,713)</u>	<u>(1,566,212)</u>	<u>-</u>	<u>(4,742,925)</u>

Industrial Securities Group Limited

Notes

19 Capital commitments

	2008 £	2007 £
Amounts contracted for but not provided in the accounts	-	-

20 Contingent liabilities and guarantees

Industrial Securities (Chadderton) Limited has provided an environmental guarantee in respect of a joint venture transaction

The group has undertaken tax planning arrangements which have been challenged by HM Revenue & Customs. The expert advice received to date indicates that the outcome should be in the group's favour. However, if the final outcome is adverse, the group could have a potential corporation tax liability in excess of £5,000,000.

21 Related parties

The following related party transactions were entered into by the Group during the year

1 Management fees of £458,599 (2007 £457,770) were paid to Marcol International Asset Management Limited (formerly Marcol Management Limited). M N Steinberg and T S Cole are directors and shareholders of Marcol International Asset Management Limited.

2 The following amounts were due from related parties at the year end

	2008 £	2007 £
IS Eurologistics Fund SARL	4,211,407	14,160,874
Industrial Securities Europe SA	87,000	269,505
City & General No 1 Limited	898,000	1,500,000
ICOM Limited	-	1,000,000

During the year, a provision for bad and doubtful debts was made on loans to related parties, as follows

	2008 £	2007 £
IS Eurologistics Fund SARL - doubtful	10,829,332	-
Industrial Securities Europe SA - doubtful	223,715	-
ICOM Limited - bad debt	1,000,000	-

The directors, M N Steinberg and T S Cole, are directors and shareholders of City & General No 1 Limited.

A major shareholder of the company, S A Lawrence, is a director of IS Eurologistics Funds SARL, Industrial Securities Europe SA and ICOM Limited.

IS Eurologistics Fund SARL and Industrial Securities Europe SA are companies registered in Luxembourg. All the other companies above are registered in the United Kingdom.