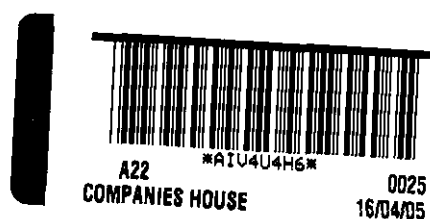


Company Registration No. 1128017 (England and Wales)

SMITH MELZACK PEPPER ANGLISS (SERVICES) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004



SMITH MELZACK PEPPER ANGLISS (SERVICES) LIMITED

COMPANY INFORMATION

Directors

I A Fass FRICS
R M J Franks
L M Bonney
A Kleinman
C Povey MRICS
C H Orman FRICS
S Sandler FRICS
P Vernon-Smith

Secretary

S Sandler FRICS

Company number

1128017

Registered office

7-10 Chandos Street
Cavendish Square
London
W1G 9AJ

Auditors

FW Stephens
3rd Floor
10 Charterhouse Square
London
EC1M 6LQ

Business address

7-10 Chandos Street
Cavendish Square
London
W1G 9AJ

SMITH MELZACK PEPPER ANGLISS (SERVICES) LIMITED

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SMITH MELZACK PEPPER ANGLISS (SERVICES) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2004

The directors present their report and financial statements for the year ended 31 December 2004.

Principal activities

The company's principal activity during the year was the provision of management and administration services to professional firms and commercial organisations.

After the year end, the ultimate parent undertaking disposed of all its trade and assets, including its interest in the share capital of Smith Melzack Pepper Angliss (Professional Services) Limited and all its subsidiaries, including this company.

Directors

The following directors have held office since 1 January 2004:

I A Fass FRICS

R M J Franks

L M Bonney

A Kleinman

A E Warland MRICS

(Resigned 27 October 2004)

C Povey MRICS

C H Orman FRICS

S Sandler FRICS

P Vernon-Smith

Directors' interests

The directors who served the company throughout the year had no beneficial interest in the company's shares during the year. The interests of R M J Franks, A Kleinman, C H Orman, S Sandler, P Vernon-Smith and C Povey in the ultimate parent undertaking are reflected in those accounts.

Auditors

In accordance with the Share Purchase Agreement governing the disposal of the trade and assets of the ultimate parent undertaking, FW Stephens will not be reappointed as auditors of the company.

SMITH MELZACK PEPPER ANGLISS (SERVICES) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

Directors' responsibilities


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 of the profit or loss of the company for that period. 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;
- 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the board



S Sandler FRICS

Director

14/12/05

SMITH MELZACK PEPPER ANGLISS (SERVICES) LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF SMITH MELZACK PEPPER ANGLISS (SERVICES) LIMITED

We have audited the financial statements of Smith Melzack Pepper Angliss (Services) Limited on pages 4 to 10 for the year ended 31 December 2004. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and 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 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 the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are 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 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 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 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.

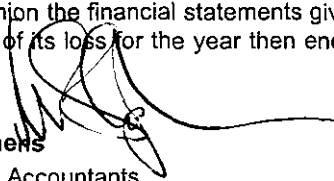
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Going Concern

The financial statements have been prepared on a going concern basis, the validity of which depends upon the continuing support of the ultimate parent undertaking and the renewal of the group's bank facility as described in note 1. The financial statements do not include any adjustments that would result from the withdrawal of the support. The company made a loss of £16,401 and at the balance sheet date its assets exceeded its liabilities by £11,238. Our opinion is not qualified in this respect.

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.


FW Stephens
Chartered Accountants
Registered Auditor

23 March 2005

3rd Floor
10 Charterhouse Square
London
EC1M 6LQ

SMITH MELZACK PEPPER ANGLISS (SERVICES) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £	2003 £
Turnover		1,500,000	1,670,000
Administrative expenses		(1,491,598)	(1,654,707)
Operating profit	2	8,402	15,293
Other interest receivable and similar income		55	281
Interest payable and similar charges		(10,258)	(12,304)
(Loss)/profit on ordinary activities before taxation		(1,801)	3,270
Tax on (loss)/profit on ordinary activities	3	(14,600)	-
(Loss)/profit on ordinary activities after taxation	10	(16,401)	3,270

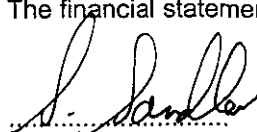
SMITH MELZACK PEPPER ANGLISS (SERVICES) LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2004

	Notes	2004 £	£	2003 £	£
Fixed assets					
Tangible assets	4		39,858		62,093
Current assets					
Debtors	5	864,719		903,594	
Cash at bank and in hand		39,703		10,282	
		<u>904,422</u>		<u>913,876</u>	
Creditors: amounts falling due within one year	6	<u>(204,828)</u>		<u>(193,798)</u>	
Net current assets			<u>699,594</u>		<u>720,078</u>
Total assets less current liabilities			<u>739,452</u>		<u>782,171</u>
Creditors: amounts falling due after more than one year	7		<u>(728,214)</u>		<u>(754,532)</u>
			<u>11,238</u>		<u>27,639</u>
Capital and reserves					
Called up share capital	9		100		100
Profit and loss account	10		11,138		27,539
Shareholders' funds			<u>11,238</u>		<u>27,639</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The financial statements were approved by the Board on 18/3/05



S Sandler FRICS
Director

SMITH MELZACK PEPPER ANGLISS (SERVICES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

These accounts have been prepared on the going concern basis. The company relies on the continuing support of its ultimate parent undertaking and the continuing availability of the group's bank facilities.

1.2 Turnover

Turnover consists of service charges receivable excluding value added tax. Service charges are recorded on an accruals basis.

1.3 Tangible fixed assets and depreciation

Provision is made for depreciation on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life, as follows:

Land and buildings Leasehold	Over remaining life of the lease
Plant and machinery	33 1/3 % per annum on cost
Fixtures, fittings & equipment	10-20% per annum on cost

Assets with a written down value of nil are deemed no longer used within the company and thus are scrapped.

1.4 Leasing and hire purchase commitments

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. Interest on finance leases and hire purchase contracts is charged to the profit and loss account using the sum of digits method. Rentals paid under operating leases are charged to the profit and loss account as they arise.

2 Operating profit	2004	2003
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	43,729	44,122
Auditors' remuneration	5,975	5,800
Directors' emoluments	166,709	213,193

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 3 (2003- 5).

3 Taxation	2004	2003
	£	£
Domestic current year tax		
Payment in respect of group relief	14,600	-
Current tax charge	14,600	-

SMITH MELZACK PEPPER ANGLISS (SERVICES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

4 Tangible fixed assets

	Land and buildings	Plant and machinery etc	Total
	£	£	£
Cost			
At 1 January 2004	59,371	296,451	355,822
Additions	-	21,493	21,493
Disposals	(59,371)	-	(59,371)
	<hr/>	<hr/>	<hr/>
At 31 December 2004	-	317,944	317,944
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2004	59,371	234,358	293,729
On disposals	(59,371)	-	(59,371)
Charge for the year	-	43,728	43,728
	<hr/>	<hr/>	<hr/>
At 31 December 2004	-	278,086	278,086
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2004	-	39,858	39,858
	<hr/>	<hr/>	<hr/>
At 31 December 2003	-	62,093	62,093
	<hr/>	<hr/>	<hr/>

The net book value of other tangible fixed assets includes £9,998 (2003- £38,938) in respect of assets held under finance leases or hire purchase contracts. The depreciation charge in respect of such assets amounted to £28,940 (2003- £28,941) for the year.

5 Debtors

	2004 £	2003 £
Trade debtors	1,084	-
Amounts owed by group undertakings and undertakings in which the company has a participating interest	767,706	778,830
Other debtors	95,929	124,764
	<hr/>	<hr/>
	864,719	903,594
	<hr/>	<hr/>

SMITH MELZACK PEPPER ANGLISS (SERVICES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

6	Creditors: amounts falling due within one year	2004	2003
		£	£
	Net obligations under hire purchase contracts	26,100	35,852
	Trade creditors	51,384	37,068
	Taxation and social security	41,751	42,196
	Other creditors	85,593	78,682
		<u>204,828</u>	<u>193,798</u>
7	Creditors: amounts falling due after more than one year	2004	2003
		£	£
	Net obligations under hire purchase contracts	3,036	29,354
	Other creditors	725,178	725,178
		<u>728,214</u>	<u>754,532</u>
	Analysis of loans		
	Wholly repayable within five years	<u>725,178</u>	<u>725,178</u>
8	Pension costs		
	The company operates a defined contribution 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 £19,357 (2003- £19,957).		
9	Share capital	2004	2003
		£	£
	Authorised		
	100 Ordinary of £1 each	<u>100</u>	<u>100</u>
	Allotted, called up and fully paid		
	100 Ordinary of £1 each	<u>100</u>	<u>100</u>

SMITH MELZACK PEPPER ANGLISS (SERVICES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

10 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2004	27,539
Retained loss for the year	(16,401)
Balance at 31 December 2004	<u>11,138</u>

11 Contingent liabilities

An omnibus letter of guarantee and set off is in place between the following members of the Smith Melzack Pepper Angliss Limited group:

Smith Melzack Pepper Angliss Limited
Smith Melzack Pepper Angliss (Professional Services) Limited
Smith Melzack Pepper Angliss (Management) Limited
Smith Melzack Pepper Angliss (Croydon) Limited
Smith Melzack Pepper Angliss (Services) Limited

At the year end Smith Melzack Pepper Angliss (Professional Services) Limited had utilised £283,875 (2003: £434,478) of the £500,000 facility under this guarantee.

The Smith Melzack Pepper Angliss Limited group has a group VAT registration in place. The company is included within this group registration and so is jointly and severally liable for the total group VAT due.

The difference between the total group VAT liability and what has been provided in these accounts for VAT is £132,155.

12 Financial commitments

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as follows:

	2004 £	2003 £
Expiry date:		
Between two and five years	<u>14,254</u>	<u>14,254</u>

SMITH MELZACK PEPPER ANGLISS (SERVICES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

13 Control

The company regards Smith Melzack Pepper Angliss (Professional Services) Limited as its immediate parent company and Smith Melzack Pepper Angliss Limited Liability Partnership as its ultimate controlling party.

Since the year end Smith Melzack Pepper Angliss Limited Liability Partnership disposed of its trade and assets, including its investment in Smith Melzack Pepper Angliss (Professional Services) Limited, to Smith Melzack Pepper Angliss Limited. Smith Melzack Pepper Angliss Limited is now considered to be the ultimate controlling party.

14 Related party transactions

During the year there were the following transactions with companies under common control:

Company Name	Opening Balance £	Movements on Loan £	Management fees charged £	Expenses Recharged £	Year-end Balance £
Smith Melzack Pepper Angliss (Management) Limited	-	(816,748)	815,000	1,748	-
Smith Melzack Pepper Angliss (Professional Services) Limited	778,830	(696,424)	685,000	300	767,706
Smith Melzack Pepper Angliss (Croydon) Limited	-	-	-	-	-
Smith Melzack Pepper Angliss Limited Liability Partnership	-	(37,428)	-	37,428	-

The amounts owed to the company are disclosed within "Amounts owed by group undertakings and undertakings in which the company has a participating interest".

Included in "Creditors: amounts falling due after more than one year" is an amount of £725,178 (2003: £725,178) which is due equally to R M J Franks, A Kleinman, C H Orman, S Sandler and P Vernon-Smith who are directors in the company and partners in Smith Melzack Pepper Angliss Limited Liability Partnership, the ultimate controlling party at the year end. Since the year end, these loans have been assigned by the parties to the new controlling party, Smith Melzack Pepper Angliss Limited.

SMITH MELZACK PEPPER ANGLISS (SERVICES) LIMITED

MANAGEMENT INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2004

SMITH MELZACK PEPPER ANGLISS (SERVICES) LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	£	2004 £	£	2003 £
Turnover				
Fees receivable		1,500,000		1,670,000
Administrative expenses		(1,491,598)		(1,654,707)
Operating profit		8,402		15,293
Other interest receivable and similar income				
Bank interest received		55		281
Interest payable				
Hire purchase interest paid	8,302		12,304	
Other interest paid	1,956		-	
		(10,258)		(12,304)
(Loss)/profit before taxation		(1,801)		3,270

SMITH MELZACK PEPPER ANGLISS (SERVICES) LIMITED

SCHEDULE OF ADMINISTRATIVE EXPENSES FOR THE YEAR ENDED 31 DECEMBER 2004

	2004 £	2003 £
Administrative expenses		
Wages and salaries (excl. N.I.)	717,579	779,502
Directors' remuneration	148,451	192,399
Employer's N.I. contributions	99,477	111,366
Staff pension costs	15,419	14,068
Other staff costs	41,402	45,791
Directors' pension costs	3,938	5,889
Temps and agencies	29,040	28,695
Rates	50,191	49,810
Insurance	27,461	24,371
Light and heat	1,570	-
Cleaning	5,262	3,286
Repairs and maintenance	1,945	2,661
Service charge payable	-	(2,000)
Printing, postage and stationery	52,110	47,240
Advertising	12,712	16,463
Telephone	35,250	43,211
Computer running costs	26,541	14,997
Hire of equipment	3,186	1,298
Equipment maintenance	42,500	44,297
Motor running expenses	48,653	74,458
Travelling expenses	22,117	27,365
Legal and professional fees	(4,615)	3,361
Consultancy fees	-	8,287
Audit fees	5,975	5,800
Other non-audit fees	8,400	9,440
Bank charges	-	29
Sundry expenses	36,972	45,128
Subscriptions	16,333	13,373
Depreciation on plant and machinery	37,872	39,135
Depreciation on fixtures and fittings	5,857	4,987
	<u>1,491,598</u>	<u>1,654,707</u>