

Company Registration Number 2944316

**MARYLEBONE WARWICK BALFOUR MANAGEMENT
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2005



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MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2005

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MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	A F Blurton R G Balfour-Lynn J W Harrison J S Shashoua M A Bibring
Company secretary	Gail Robson
Date of incorporation	30 June 1994
Registered office	1 West Garden Place Kendal Street London W2 2AQ
Auditors	BSG Valentine Chartered Accountants & Registered Auditors Lynton House 7 - 12 Tavistock Square London WC1H 9BQ

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2005

The directors have pleasure in presenting their report and the financial statements of the group for the year ended 30 June 2005.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was that of acting as a holding company and the supply of management services and property development.

RESULTS AND DIVIDENDS

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

The directors have not recommended a dividend.

THE DIRECTORS AND THEIR INTERESTS

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

		Ordinary Shares of £1 each	
		At	At
		30 June 2005	1 July 2004
A F Blurton		-	-
J Singh		-	-
R G Balfour-Lynn	(Appointed 21 February 2005)	-	-
J W Harrison	(Appointed 21 February 2005)	-	-
J S Shashou	(Appointed 21 February 2005)	-	-
M A Bibring	(Appointed 21 February 2005)	-	-
W G Broadbent	(Resigned 21 February 2005)		
S T Rodwell	(Resigned 21 February 2005)		
B V Day	(Resigned 21 February 2005)		

J Singh resigned as a director on 23 September 2005.

POLICY ON THE PAYMENT OF CREDITORS

It is the company's policy to agree terms of transactions, including payment terms with suppliers. Provided suppliers perform in accordance with the agreed terms, payments are made in accordance with those terms. It is the company's normal practice that payment is made accordingly.

DONATIONS

During the year the company made the following contributions:

	2005	2004
	£	£
Charitable	<u>10,535</u>	<u>3,500</u>

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 JUNE 2005

AUDITORS

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

Registered office:
1 West Garden Place
Kendal Street
London
W2 2AQ

Signed on behalf of the directors

Director

Approved by the board on31/10/06.....

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

YEAR ENDED 30 JUNE 2005

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 group and of the profit or loss of the group for that year. In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on page 11, and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

state whether applicable 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 group 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 group and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

YEAR ENDED 30 JUNE 2005

We have audited the financial statements of Marylebone Warwick Balfour Management Limited for the year ended 30 June 2005 on pages 7 to 18 which have been prepared under the historical cost convention and the accounting policies set out on page 11.

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

As described in the Statement of Directors' Responsibilities 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 group 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 group'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.

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED *(continued)***

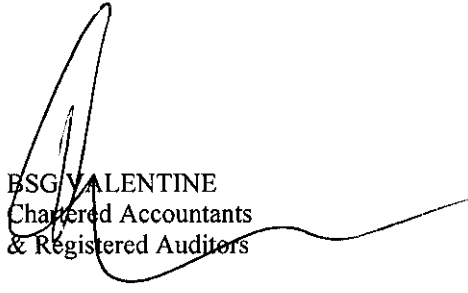
YEAR ENDED 30 JUNE 2005

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs and of the group as at 30 June 2005 and of the profit of the group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Lynton House
7 - 12 Tavistock Square
London
WC1H 9BQ

.....31/10/06.....


BSG VALENTINE
Chartered Accountants
& Registered Auditors

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

GROUP PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 JUNE 2005

	Note	2005 £	2004 £
GROUP TURNOVER	2	17,907,889	11,529,145
Cost of sales		(7,306,796)	—
GROSS PROFIT		10,601,093	11,529,145
Administrative expenses		(9,574,425)	(12,121,223)
OPERATING PROFIT/(LOSS)	3	1,026,668	(592,078)
Interest receivable and similar income		35,857	52,086
Interest payable and similar charges	6	(1,960)	—
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		1,060,565	(539,992)
Tax on profit/(loss) on ordinary activities	7	(134,722)	16,382
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	8	925,843	(523,610)

All of the activities of the group are classed as continuing.

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

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own Profit and Loss Account.

The notes on page 7 form part of these financial statements.

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

GROUP BALANCE SHEET

30 JUNE 2005

	Note	2005 £	£	2004 £
FIXED ASSETS				
Tangible assets	9		10,610	3,091
CURRENT ASSETS				
Stocks	11	—		675,000
Debtors	12	2,353,888		679,378
Cash at bank and in hand		451,259		506,406
		2,805,147		1,860,784
CREDITORS: Amounts falling due within one year	13	(2,361,290)		(2,335,251)
NET CURRENT ASSETS/(LIABILITIES)			443,857	(474,467)
TOTAL ASSETS LESS CURRENT LIABILITIES			454,467	(471,376)
CAPITAL AND RESERVES				
Called-up equity share capital	16		2	2
Profit and loss account	17		454,465	(471,378)
SHAREHOLDERS' FUNDS/(DEFICIT)	17		454,467	(471,376)

These financial statements were approved by the directors on the 31/10/06 and are signed on their behalf by:

AT BLURTON J. SINGH

The notes on page 8 form part of these financial statements.


MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

BALANCE SHEET

30 JUNE 2005

	Note	2005 £	2004 £
FIXED ASSETS			
Investments	10	50,001	50,001
CURRENT ASSETS			
Stocks	11	—	675,000
Debtors	12	2,080,948	645,850
Cash at bank and in hand		448,303	499,443
		2,529,251	1,820,293
CREDITORS: Amounts falling due within one year	13	(2,383,037)	(4,388,558)
NET CURRENT ASSETS/(LIABILITIES)		146,214	(2,568,265)
TOTAL ASSETS LESS CURRENT LIABILITIES		196,215	(2,518,264)
CAPITAL AND RESERVES			
Called-up equity share capital	16	2	2
Profit and loss account	17	196,213	(2,518,266)
SHAREHOLDERS' FUNDS/(DEFICIT)		196,215	(2,518,264)

These financial statements were approved by the directors on the 31/10/06 and are signed on their behalf by:



 A F BLURTON J. SINGH

The notes on page 9 form part of these financial statements.

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

GROUP CASH FLOW

YEAR ENDED 30 JUNE 2005

	Note	2005 £	2004 £
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	18	(86,308)	(1,079,962)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	18	33,897	52,086
TAXATION	18	8,108	(11,241)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	18	(10,844)	(3,230)
DECREASE IN CASH	18	<u>(55,147)</u>	<u>(1,042,347)</u>

The notes on page 10 form part of these financial statements.

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2005

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over five years from the year of acquisition. The results of companies acquired or disposed of are included in the group profit and loss account after or up to the date that control passes respectively. As a consolidated group profit and Loss Account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 230 of the Companies Act 1985.

Turnover

The turnover shown in the group profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Office and computer equipment - 20% straight line method

Stocks

Stocks are valued at the lower of cost and net realisable value.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the group profit and loss account.

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the group.

An analysis of turnover is given below:

	2005	2004
	£	£
United Kingdom	<u>17,907,889</u>	<u>11,529,145</u>

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2005

3. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging:

	2005	2004
	£	£
Depreciation of owned fixed assets	3,325	139
Auditors' remuneration		
- as auditors	<u>14,500</u>	<u>10,500</u>

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the group during the financial year amounted to:

	2005	2004
	No	No
Management and administration	<u>69</u>	<u>66</u>

The aggregate payroll costs of the above were:

	2005	2004
	£	£
Wages and salaries	8,166,280	10,747,592
Social security costs	216,169	409,703
Other pension costs	241,544	159,131
	<u>8,623,993</u>	<u>11,316,426</u>

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2005	2004
	£	£
Emoluments receivable	237,048	-
Value of company pension contributions to money purchase schemes	5,053	-
	<u>242,101</u>	<u>-</u>

Emoluments of highest paid director:

	2005	2004
	£	£
Total emoluments (excluding pension contributions)	<u>87,627</u>	<u>-</u>

The number of directors who accrued benefits under company pension schemes was as follows:

	2005	2004
	No	No
Money purchase schemes	<u>1</u>	<u>-</u>

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2005

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2005	2004
	£	£
Other similar charges payable	<u>1,960</u>	<u>-</u>

7. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2005	2004
	£	£
Current tax:		
UK Corporation tax based on the results for the year at 30% (2004 - -%)	134,722	-
Over/under provision in prior year	-	(16,382)
Total current tax	<u>134,722</u>	<u>(16,382)</u>

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2004 - -%).

	2005	2004
	£	£
Profit/(loss) on ordinary activities before taxation	<u>1,060,565</u>	<u>(539,992)</u>
Tax on profit on ordinary activities	318,618	-
Over provision in previous years	(819)	(16,382)
Marginal relief	(5,809)	-
Losses brought forward set off against profits	(183,313)	-
Expenses not deductible for tax	6,045	-
Total current tax (note 7(a))	<u>134,722</u>	<u>(16,382)</u>

8. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the accounts of the parent company was £2,714,479 (2004 - £(2,512,319)).

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2005

9. TANGIBLE FIXED ASSETS

Group	Office and computer equipment £
COST	
At 1 July 2004	3,230
Additions	10,844
At 30 June 2005	<u>14,074</u>
DEPRECIATION	
At 1 July 2004	139
Charge for the year	3,325
At 30 June 2005	<u>3,464</u>
NET BOOK VALUE	
At 30 June 2005	<u>10,610</u>
At 30 June 2004	<u>3,091</u>

10. INVESTMENTS

Company	Group companies £
COST	
At 1 July 2004 and 30 June 2005	<u>50,001</u>
NET BOOK VALUE	
At 30 June 2005	<u>50,001</u>
At 30 June 2004	<u>50,001</u>

	Country of incorporation	Share holding	Proportion held	Nature of business
Subsidiary undertakings				
Name				
WGP (TWO) Limited	United Kingdom	Ordinary shares	100%	Insurance commission
Vision Hotel Asset Management Plc	United Kingdom	Ordinary shares	100%	Hotel/property management
The Hospitality Asset Management Company Limited	United Kingdom	Ordinary shares	100%	Hotel/property management
Vision Development Company Limited	United Kingdom	Ordinary shares	100%	Hotel/property management

The Hospitality Asset Management Company Limited is a 100% subsidiary of Vision Hotel Asset Management Plc.

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2005

11. STOCKS

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Stock of property	<u>—</u>	<u>675,000</u>	<u>—</u>	<u>675,000</u>

12. DEBTORS

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Trade debtors	1,663,339	373,347	1,235,784	356,897
Amounts owed by group undertakings	—	—	364,664	—
Amounts owed by undertakings in which the company has a participating interest	64,421	89,774	64,421	89,774
Other debtors	378,256	86,928	213,543	123,004
Prepayments and accrued income	247,872	129,329	202,536	76,175
	<u>2,353,888</u>	<u>679,378</u>	<u>2,080,948</u>	<u>645,850</u>

13. CREDITORS: Amounts falling due within one year

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Trade creditors	504,444	225,324	451,087	135,362
Amounts owed to group undertakings	—	—	262,184	2,170,951
Other creditors	589,783	960,998	555,895	948,167
Accruals and deferred income	1,267,063	1,148,929	1,113,871	1,134,078
	<u>2,361,290</u>	<u>2,335,251</u>	<u>2,383,037</u>	<u>4,388,558</u>

14. COMMITMENTS UNDER OPERATING LEASES

At 30 June 2005 the group had annual commitments under non-cancellable operating leases as set out below.

Group	Land and buildings	
	2005	2004
	£	£
Operating leases which expire:		
After more than 5 years	<u>373,829</u>	<u>373,829</u>

At 30 June 2005 the company had annual commitments under non-cancellable operating leases as set out below.

Company	Land and buildings	
	2005	2004
	£	£
Operating leases which expire:		
After more than 5 years	<u>373,829</u>	<u>373,829</u>

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2005

15. RELATED PARTY TRANSACTIONS

The group has taken advantage of the exemptions not to disclose any transactions or balances between the company and its subsidiaries as these have been eliminated on consolidation.

Directors of ServCo Limited Partnership are controlling party.

Marylebone Warwick Balfour Group Plc is a related party of the company since its executive directors exercise control over the company through their interests in the ServCo Limited Partnership.

At the balance sheet date the group was owed £64,421 (2004: £89,773) from Marylebone Warwick Balfour Management Services Limited, a wholly owned subsidiary of Marylebone Warwick Balfour Group Plc.

16. SHARE CAPITAL

Authorised share capital:

	2005	2004
	£	£
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	2005		2004	
	No	£	No	£
Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

17. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

Group	Share capital	Profit and loss account	Total share-holders' funds
	£	£	£
2004			
Balance brought forward	2	52,232	52,234
Loss for the year	—	(523,610)	(523,610)
	<u>—</u>	<u>—</u>	<u>—</u>
2005			
Balance brought forward	2	471,378	471,376
Retained profit for the year	—	925,843	925,843
Balance carried forward	<u>2</u>	<u>454,465</u>	<u>454,467</u>
	<u>—</u>	<u>—</u>	<u>—</u>
Company	Share capital	Profit and loss account	Total share-holders' funds
	£	£	£
2004			
Balance brought forward	2	(5,947)	(5,945)
Loss for the year	—	(2,512,319)	(2,512,319)
	<u>—</u>	<u>—</u>	<u>—</u>
2005			
Balance brought forward	2	2,518,266	2,518,264
Retained profit for the year	—	2,714,479	2,714,479
Balance carried forward	<u>2</u>	<u>196,213</u>	<u>196,215</u>
	<u>—</u>	<u>—</u>	<u>—</u>

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2005

18. NOTES TO THE STATEMENT OF CASH FLOWS

RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2005	2004
	£	£
Operating profit/(loss)	1,026,668	(592,078)
Depreciation	3,325	139
Decrease/(increase) in stocks	675,000	(675,000)
Increase in debtors	(1,682,618)	(349,864)
(Decrease)/increase in creditors	(108,683)	536,841
Net cash outflow from operating activities	<u>(86,308)</u>	<u>(1,079,962)</u>

RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2005	2004
	£	£
Interest received	35,857	52,086
Interest paid	(1,960)	—
Net cash inflow from returns on investments and servicing of finance	<u>33,897</u>	<u>52,086</u>

TAXATION

	2005	2004
	£	£
Taxation	<u>8,108</u>	<u>(11,241)</u>

CAPITAL EXPENDITURE

	2005	2004
	£	£
Payments to acquire tangible fixed assets	(10,844)	(3,230)
Net cash outflow from capital expenditure	<u>(10,844)</u>	<u>(3,230)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2005	2004
	£	£
Decrease in cash in the period	<u>(55,147)</u>	<u>(1,042,347)</u>
Movement in net funds in the period	<u>(55,147)</u>	<u>(1,042,347)</u>
Net funds at 1 July 2004	506,406	1,548,753
Net funds at 30 June 2005	<u>451,259</u>	<u>506,406</u>

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2005

18. NOTES TO THE STATEMENT OF CASH FLOWS *(continued)*

ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Jul 2004 £	Cash flows £	At 30 Jun 2005 £
Net cash:			
Cash in hand and at bank	506,406	(55,147)	451,259
Net funds	<u>506,406</u>	<u>(55,147)</u>	<u>451,259</u>