

Company Registration Number 2944316

**MARYLEBONE WARWICK BALFOUR MANAGEMENT
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2004



MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2004

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MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	A F Blurton J Singh R G Balfour-Lynn J W Harrison J S Shashoua M A Bibring W G Broadbent
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 2004

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

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 were as follows:

A F Blurton		
J Singh		
W G Broadbent		
S T Rodwell	(Resigned 21 February 2005)	
B V Day	(Resigned 21 February 2005)	
R G Balfour-Lynn	(Resigned 28 October 2003)	(Re-appointed 21 February 2005)
J W Harrison	(Resigned 28 October 2003)	(Re-appointed 21 February 2005)
J S Shashou	(Resigned 28 October 2003)	(Re-appointed 21 February 2005)
M A Bibring	(Resigned 28 October 2003)	(Re-appointed 21 February 2005)
S Leadbetter	(Resigned 26 August 2003)	
M R Wilson	(Resigned 26 August 2003)	
I B Cave	(Resigned 13 October 2003)	
G R Aspland Robinson	(Served from 1 July 2003 to 28 October 2003)	

The directors have no interest in the share capital of the company.

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 charitable donations of £3,500 (2003: £NIL).

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 JUNE 2004

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 by order of the directors



GAIL ROBSON
Company Secretary

Approved by the board on 28/07/2005

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

YEAR ENDED 30 JUNE 2004

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 10, 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.

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

YEAR ENDED 30 JUNE 2004

We have audited the financial statements on pages 6 to 16 which have been prepared under the historical cost convention and the accounting policies set out on page 10.

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.

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 2004 and of the loss 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

28/7/05
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BSG VALENTINE
Chartered Accountants
& Registered Auditors

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

GROUP PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 JUNE 2004

	Note	2004 £	2003 £
GROUP TURNOVER	2	11,529,145	12,191,069
Administrative expenses		(12,121,223)	(12,229,267)
OPERATING LOSS	3	(592,078)	(38,198)
Interest receivable		52,086	64,947
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(539,992)	26,749
Tax on (loss)/profit on ordinary activities	5	16,382	(19,515)
(LOSS)/RETAINED PROFIT FOR THE FINANCIAL YEAR	6	(523,610)	7,234

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 pages 10 to 16 form part of these financial statements.

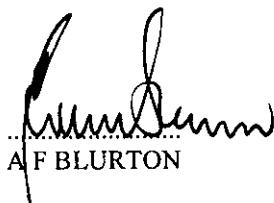
MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

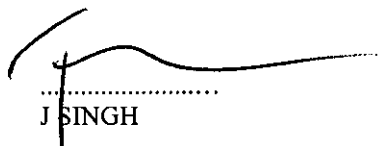
GROUP BALANCE SHEET

30 JUNE 2004

	Note	2004 £	2003 £
FIXED ASSETS			
Tangible assets	7	3,091	—
CURRENT ASSETS			
Stocks	9	675,000	—
Debtors	10	679,378	321,406
Cash at bank		506,406	1,548,753
		<u>1,860,784</u>	<u>1,870,159</u>
CREDITORS: Amounts falling due within one year	11	<u>(2,335,251)</u>	<u>(1,817,925)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(474,467)</u>	<u>52,234</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(471,376)</u>	<u>52,234</u>
 CAPITAL AND RESERVES			
Called-up equity share capital	14	2	2
Profit and loss account	15	(471,378)	52,232
(DEFICIENCY)/SHAREHOLDERS' FUNDS	15	<u>(471,376)</u>	<u>52,234</u>

These financial statements were approved by the directors on the 28th July 2005 and are signed on their behalf by:


A F BLURTON


J SINGH

The notes on pages 10 to 16 form part of these financial statements.

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

BALANCE SHEET

30 JUNE 2004

	Note	2004 £	2003 £
FIXED ASSETS			
Investments	8	50,001	50,001
CURRENT ASSETS			
Stocks	9	675,000	—
Debtors	10	645,850	282,029
Cash at bank		499,443	1,548,753
		1,820,293	1,830,782
CREDITORS: Amounts falling due within one year	11	(4,388,558)	(1,886,728)
NET CURRENT LIABILITIES		(2,568,265)	(55,946)
TOTAL ASSETS LESS CURRENT LIABILITIES		(2,518,264)	(5,945)
CAPITAL AND RESERVES			
Called-up equity share capital	14	2	2
Profit and loss account	15	(2,518,266)	(5,947)
DEFICIENCY OF SHAREHOLDERS' FUNDS		(2,518,264)	(5,945)

These financial statements were approved by the directors on the 28th July 2005 and are signed on their behalf by:

.....
A F BLURTON

.....
J SINGH

The notes on pages 10 to 16 form part of these financial statements.

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

GROUP CASH FLOW

YEAR ENDED 30 JUNE 2004

	Note	2004 £	2003 £
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	16	(1,079,962)	936,806
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	16	52,086	64,947
TAXATION	16	(11,241)	--
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	16	(3,230)	--
(DECREASE)/INCREASE IN CASH	16	<u>(1,042,347)</u>	<u>1,001,753</u>

The notes on pages 10 to 16 form part of these financial statements.

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2004

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 fixed assets, less their estimated residual value, over the useful economic life of those assets 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.

2. TURNOVER

The turnover and loss before tax are attributable to the one principal activity of the group. All turnover arose in the United Kingdom.

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2004

3. OPERATING LOSS

Operating loss is stated after charging:

	2004	2003
	£	£
Depreciation of owned fixed assets	139	–
Auditors' remuneration		
- as auditors	<u>10,500</u>	<u>17,000</u>

4. PARTICULARS OF EMPLOYEES

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

	2004	2003
	No	No
Management and administration	<u>66</u>	<u>65</u>

The aggregate payroll costs of the above were:

	2004	2003
	£	£
Wages and salaries	10,747,592	11,031,526
Social security costs	409,703	322,128
Other pension costs	159,131	120,419
	<u>11,316,426</u>	<u>11,474,073</u>

5. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2004	2003
	£	£
Current tax:		
UK Corporation tax based on the results for the year	–	19,515
Over/under provision in prior year	(16,382)	–
Total current tax	<u>(16,382)</u>	<u>19,515</u>

(b) Factors affecting current tax charge

The tax assessed on the (loss)/profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2003 - 30%) for the reasons set out below:

	2004	2003
	£	£
(Loss)/profit on ordinary activities before taxation	<u>(539,992)</u>	<u>26,749</u>
Tax on profit on ordinary activities	–	8,025
Over provision in previous years	(16,382)	–
Other permanent differences	–	11,490
Total current tax (note 5(a))	<u>(16,382)</u>	<u>19,515</u>

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2004

6. LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss dealt with in the accounts of the parent company was £(2,512,319) (2003 - £(50,945)).

7. TANGIBLE FIXED ASSETS

Group	Office and computer equipment £
COST	
Additions	3,230
At 30 June 2004	<u>3,230</u>
DEPRECIATION	
Charge for the year	139
At 30 June 2004	<u>139</u>
NET BOOK VALUE	
At 30 June 2004	<u>3,091</u>
At 30 June 2003	<u>-</u>

8. INVESTMENTS

Company	Group companies £
COST	
At 1 July 2003 and 30 June 2004	<u>50,001</u>
NET BOOK VALUE	
At 30 June 2004	<u>50,001</u>
At 30 June 2003	<u>50,001</u>

Subsidiary undertakings	Country of incorporation	Share holding	Proportion held	Nature of business
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. Vision Development Company Limited is a 100% subsidiary of The Hospitality Asset Management Company Limited.

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2004

9. STOCKS

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Stock of property for resale	<u>675,000</u>	<u>—</u>	<u>675,000</u>	<u>—</u>

10. DEBTORS

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Trade debtors	373,347	192,858	356,897	192,858
Amounts owed by undertakings in which the company has a participating interest	89,774	—	89,774	—
Other debtors	86,928	4,010	123,004	3,514
Prepayments and accrued income	<u>129,329</u>	<u>124,538</u>	<u>76,175</u>	<u>85,657</u>
	<u>679,378</u>	<u>321,406</u>	<u>645,850</u>	<u>282,029</u>

11. CREDITORS: Amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Trade creditors	225,324	148,445	135,362	123,935
Amounts owed to group undertakings	—	—	2,170,951	272,152
Amounts owed to undertakings in which the company has a participating interest	—	12,300	—	12,300
Other creditors	960,998	676,452	948,167	635,940
Accruals and deferred income	<u>1,148,929</u>	<u>980,728</u>	<u>1,134,078</u>	<u>842,401</u>
	<u>2,335,251</u>	<u>1,817,925</u>	<u>4,388,558</u>	<u>1,886,728</u>

12. COMMITMENTS UNDER OPERATING LEASES

At 30 June 2004 the group had annual commitments under non-cancellable operating leases as set out below.

Group	Land and buildings	
	2004	2003
	£	£
Operating leases which expire:		
Within 2 to 5 years	<u>373,829</u>	<u>341,579</u>

At 30 June 2004 the company had annual commitments under non-cancellable operating leases as set out below.

Company	Land and buildings	
	2004	2003
	£	£
Operating leases which expire:		
Within 2 to 5 years	<u>373,829</u>	<u>341,579</u>

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2004

13. 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.

Included in other creditors is are loans amounting to £675,000 from the following related parties:

Warwick Balfour Group Limited - £200,000; Old Court Investments Limited - £200,000; R Balfour-Lynn - £175,000 and L Bibring - £100,000. These amounts were repaid on 31 May 2005 at an interest rate of 15%.

R Balfour-Lynn is a director of the company and of Warwick Balfour Group Limited. J W Harrison is a director of the company and of Old Court Investments Limited. L Bibring is the wife of M A Bibring, a director of the company.

14. SHARE CAPITAL

Authorised share capital:

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

Allotted, called up and fully paid:

	2004	2003
	£	£
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

Group	Total share- holders' funds
	£
Balance at 1 July 2002	45,000
Retained profit for the year ended 30 June 2003	<u>7,234</u>
Balance at 1 July 2003	52,234
Loss for the year ended 30 June 2004	<u>(523,610)</u>
Balance carried forward	<u>(471,376)</u>
Company	Total share- holders' funds
	£
Balance at 1 July 2002	45,000
Loss for the year ended 30 June 2003	<u>(50,945)</u>
Balance at 1 July 2003	(5,945)
Loss for the year ended 30 June 2004	<u>(2,512,319)</u>
Balance carried forward	<u>(2,518,264)</u>

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2004

16. NOTES TO THE STATEMENT OF CASH FLOWS

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

	2004 £	2003 £
Operating loss	(592,078)	(38,198)
Depreciation	139	-
Increase in stocks	(675,000)	-
(Increase)/decrease in debtors	(349,864)	672,594
Increase in creditors	536,841	302,410
Net cash (outflow)/inflow from operating activities	<u>(1,079,962)</u>	<u>936,806</u>

(b) RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2004 £	2003 £
Interest received	52,086	64,947
Net cash inflow from returns on investments and servicing of finance	<u>52,086</u>	<u>64,947</u>

(c) TAXATION

	2004 £	2003 £
Taxation	<u>(11,241)</u>	<u>-</u>

(d) CAPITAL EXPENDITURE

	2004 £	2003 £
Payments to acquire tangible fixed assets	<u>(3,230)</u>	<u>-</u>
Net cash outflow from capital expenditure	<u>(3,230)</u>	<u>-</u>

(e) RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2004 £	2003 £
(Decrease)/Increase in cash in the period	(1,042,347)	1,001,753
Net funds at 1 July 2003	<u>1,548,753</u>	<u>547,000</u>
Net funds at 30 June 2004	<u>506,406</u>	<u>1,548,753</u>

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2004

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

(f) ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Jul 2003 £	Cash flows £	At 30 Jun 2004 £
Net cash:			
Cash in hand and at bank	1,548,753	(1,042,347)	506,406
Net funds	<u>1,548,753</u>	<u>(1,042,347)</u>	<u>506,406</u>