

Company Registration Number 2944316

**MARYLEBONE WARWICK BALFOUR MANAGEMENT
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2002



MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2002

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MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

COMPANY INFORMATION

The board of directors

R G Balfour-Lynn
J W Harrison
J S Shashoua
A F Blurton
J Singh
M A Bibring
B V Day
S Leadbetter
S T Rodwell
W G Broadbent
I B Cave
M R Wilson

Company secretary

Gail Robson-Skeete

Date of incorporation

30 June 1994

Registered office

1 West Garden Place
Kendal Street
London
W2 2AQ

Auditors

BSG Valentine
Chartered Accountants
& Registered Auditor
Lynton House
7 - 12 Tavistock Square
London WC1H 9BQ

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2002

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 30 June 2002.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is the supply of management services.

Following the approval of a resolution by members of the ultimate parent company, Marylebone Warwick Balfour Group Plc on 24 May 2002, the share capital of the company was acquired by ServCo Limited Partnership ("ServCo"), a partnership controlled by the executive directors of Marylebone Warwick Balfour Group Plc. Under a services agreement, the company is to provide management services to Marylebone Warwick Balfour Group Plc and its subsidiaries in return for predetermined annual fees.

RESULTS AND DIVIDENDS

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

The directors have not recommended a dividend.

DIRECTORS

The directors who served the company during the year were as follows:

R G Balfour-Lynn	
J W Harrison	
J S Shashoua	
A F Blurton	
J Singh	
M A Bibring	
B V Day	
S Leadbetter	
S T Rodwell	
W G Broadbent	
I B Cave	
M R Wilson	
J Phillips	(Resigned 23 May 2002)
N Otten	(Resigned 23 May 2002)

POLICY ON THE PAYMENT OF CREDITORS

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

DONATIONS

During the year the company made the following contributions:

	2002	2001
	£	£
Charitable	<u>11,265</u>	<u>23,015</u>

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

THE DIRECTORS' REPORT *(continued)*

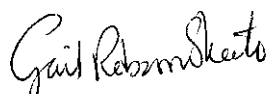
YEAR ENDED 30 JUNE 2002

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-SKEETE
Company Secretary

Approved by the board on 29TH APRIL 2003

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

YEAR ENDED 30 JUNE 2002

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 at the end of the year and of the profit or loss for the year then ended. In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on page 9, 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 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. The directors 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.

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 30 JUNE 2002

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 9.

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 THE DIRECTORS AND THE AUDITORS

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards are set out in the Statement of Directors' Responsibilities on page 4.

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. Our responsibilities do not extend to any other information.

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.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2002 and of its profit 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

30/4/03

BSG VALENTINE
Chartered Accountants
& Registered Auditor

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 JUNE 2002

	Note	2002 £000	2001 £000
TURNOVER	2	29,628	4,217
Administrative expenses		(13,566)	(14,244)
OPERATING PROFIT/(LOSS)	3	16,062	(10,027)
(Loss)/profit on disposal of fixed assets	5	(888)	518
		15,174	(9,509)
Interest receivable	6	570	1,967
Interest payable and similar charges	7	—	(21)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		15,744	(7,563)
Tax on profit/(loss) on ordinary activities	8	(1,138)	266
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u>14,606</u>	<u>(7,297)</u>

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

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

The notes on pages 9 to 16 form part of these financial statements.

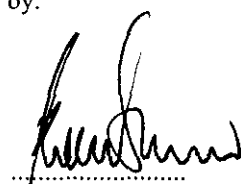
MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

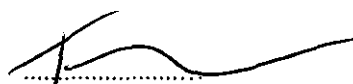
BALANCE SHEET

AS AT 30 JUNE 2002

	Note	2002 £000	2001 £000	2001 £000
FIXED ASSETS				
Tangible assets	9		-	1,095
CURRENT ASSETS				
Debtors	10	994	170,921	
Cash at bank		547	11,279	
		<u>1,541</u>	<u>182,200</u>	
CREDITORS: Amounts falling due within one year	11	<u>(1,496)</u>	<u>(197,856)</u>	
NET CURRENT ASSETS/(LIABILITIES)			<u>45</u>	<u>(15,656)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>45</u>	<u>(14,561)</u>
CAPITAL AND RESERVES				
Share capital	15		-	-
Profit and Loss Account	16		45	(14,561)
SHAREHOLDERS' FUNDS/(DEFICIENCY)	17		<u>45</u>	<u>(14,561)</u>

These financial statements were approved by the directors on the 29 April 2003 and are signed on their behalf by:


A F BLURTON


J SINGH

The notes on pages 9 to 16 form part of these financial statements.

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

CASH FLOW STATEMENT

YEAR ENDED 30 JUNE 2002

	Note	2002 £000	2001 £000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	18	(13,021)	(11,301)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	18	570	1,946
TAXATION	18	1,806	(2,615)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	18	(87)	90
DECREASE IN CASH	18	<u>(10,732)</u>	<u>(11,880)</u>

The notes on pages 9 to 16 form part of these financial statements.

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2002

1. ACCOUNTING POLICIES

Basis of accounting

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

Until 24 May 2002, the company was a wholly owned subsidiary of Marylebone Warwick Balfour Group Plc, and in these financial statements, it has taken advantage of the exemption contained in FRS 8 in respect of this period and has therefore not disclosed transactions or balances with entities which formed part of the group (or investees of the group qualifying as related parties).

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year.

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:

Leasehold improvements	- the shorter of 50 years and the term of the lease
Fixtures and equipment	- 10% to 25% straight line basis

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.

Deferred taxation

The charge for taxation is based on the result for the year, which takes account of taxation deferred because of timing differences between the treatment of certain items for taxation purposes and the treatment under the company's accounting policies.

Deferred tax assets and liabilities arise from timing differences between the recognition of gains and losses in the financial statements and their recognition in a tax computation. Previously, the company's accounting policy was to provide for deferred tax only to the extent that the liabilities or assets were expected to be payable or receivable in the foreseeable future. This was in accordance with Generally Accepted Accounting Principles in the United Kingdom.

In accordance with FRS 19, deferred tax is now provided in respect of all timing differences that have originated, but not reversed at the balance sheet date that may give rise to an obligation to pay more or less tax in the future except as otherwise required by FRS 19. Deferred tax is measured on a non-discounted basis.

The change in policy has no effect on comparatives for earlier periods.

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2002

2. TURNOVER

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

An analysis of turnover is given below:

	2002 £000	2001 £000
United Kingdom	<u>29,628</u>	<u>4,217</u>

The turnover of the company is stated net of value added tax and is derived from the supply of management services.

3. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging/(crediting):

	2002 £000	2001 £000
Depreciation	294	471
Auditors' remuneration		
- as auditors	33	50
- for other services	215	278
Operating lease costs:		
Land and buildings	322	339
Plant and equipment	7	10
Waiver of debt due from group company	<u>-</u>	<u>1,082</u>

Exceptional item: included in turnover is an amount received of £25,740,000 being intergroup management fees.

4. PARTICULARS OF EMPLOYEES

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

	2002 No	2001 No
Staff	<u>74</u>	<u>93</u>

The aggregate payroll costs of the above were:

	2002 £000	2001 £000
Wages and salaries	9,106	7,157
Social security costs	646	810
Pensions paid to former employees	199	144
	<u>9,951</u>	<u>8,111</u>

None of the directors received any remuneration from the company for their services as directors of the company.

5. LOSS/PROFIT ON DISPOSAL OF FIXED ASSETS

	2002 £000	2001 £000
(Loss)/Profit on disposal of fixed assets	<u>(888)</u>	<u>518</u>

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2002

6. INTEREST RECEIVABLE

	2002 £000	2001 £000
Bank interest receivable	420	1,157
Non-bank interest	72	4
Interest from group undertakings	78	806
	<u>570</u>	<u>1,967</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £000	2001 £000
Interest payable on bank borrowing	—	1
Other similar charges payable	—	20
	<u>—</u>	<u>21</u>

8. TAX ON PROFIT OR (LOSS) ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2002 £000	2001 £000
Current tax:		
UK Corporation tax based on the results for the year at 30% (2001 - 30%)	—	(814)
Over/under provision in prior year	324	548
	<u>324</u>	<u>(266)</u>
Other adjustments	814	—
Total current tax	<u>1,138</u>	<u>(266)</u>

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2002

8. TAX ON PROFIT OR (LOSS) ON ORDINARY ACTIVITIES *(continued)*

(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% (2001 - 30%).

	2002 £000	2001 £000
Profit/(loss) on ordinary activities before taxation	<u>15,744</u>	<u>(7,563)</u>
UK corporation tax at 30% on company profits/(losses) before tax	4,723	(2,269)
Non-allowable waivers of inter-group debt	—	504
Other permanent differences	151	33
Excess of depreciation over capital allowances	176	112
Losses carried forward against future profits	—	806
Losses brought forward set off against profits	(1,620)	—
Group relief available from other group companies	(3,430)	—
Adjustment for consortium relief no longer available	814	—
Adjustment in relation to prior years	<u>324</u>	<u>548</u>
Total current tax (note 8(a))	<u>1,138</u>	<u>(266)</u>

9. TANGIBLE FIXED ASSETS

	Leasehold improvements £000	Fixtures and equipment £000	Total £000
COST			
At 1 July 2001	1,644	626	2,270
Additions	230	32	262
Disposals	<u>(1,874)</u>	<u>(658)</u>	<u>(2,532)</u>
At 30 June 2002	<u>—</u>	<u>—</u>	<u>—</u>
DEPRECIATION			
At 1 July 2001	731	444	1,175
Charge for the year	255	39	294
On disposals	<u>(986)</u>	<u>(483)</u>	<u>(1,469)</u>
At 30 June 2002	<u>—</u>	<u>—</u>	<u>—</u>
NET BOOK VALUE			
At 30 June 2002	<u>—</u>	<u>—</u>	<u>—</u>
At 30 June 2001	<u>913</u>	<u>182</u>	<u>1,095</u>

During the year fixtures and equipment with a net book value of £174,638 were transferred to a fellow subsidiary.

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2002

10. DEBTORS

	2002 £000	2001 £000
Trade debtors	103	—
Amounts owed by group undertakings	—	158,745
Amounts owed by undertakings in which the company has a participating interest	644	1,091
Corporation tax repayable	—	2,944
Other debtors	—	5,678
Prepayments and accrued income	247	2,463
	<u>994</u>	<u>170,921</u>

11. CREDITORS: Amounts falling due within one year

	2002 £000	2001 £000
Trade creditors	242	280
Amounts owed to group undertakings	—	196,077
Amounts owed to undertakings in which the company has a participating interest	534	311
Other creditors	39	9
Other taxation and social security	347	316
Accruals and deferred income	334	863
	<u>1,496</u>	<u>197,856</u>

12. DEFERRED TAXATION

No provision has been made in the financial statements and the amounts unprovided at the end of the year are as follows:

	2002 £000	2001 £000
Accelerated capital allowances	(43)	(165)
Trading losses carried forward	—	(806)
	<u>(43)</u>	<u>(971)</u>

13. COMMITMENTS AND GUARANTEES

At 30 June 2002 the company had annual commitments under non-cancellable operating leases as set out below.

	2002		2001	
	Land & Buildings £000	Other Items £000	Land & Buildings £000	Other Items £000
Operating leases which expire:				
Within 1 year	—	4	—	5
Within 2 to 5 years	—	—	—	1
After more than 5 years	270	73	344	4
	<u>270</u>	<u>77</u>	<u>344</u>	<u>10</u>

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2002

14. RELATED PARTY TRANSACTIONS

Until 24 May 2002, the company was a wholly owned subsidiary of Marylebone Warwick Balfour Group Plc and in accordance with the exemptions contained in FRS 8, in respect of this period, there is no disclosure of transactions or balances with entries which formed part of the group (or investees of the group qualifying as related parties).

After 24 May 2002, Marylebone Warwick Balfour Group Plc remained a related party of the company since its executive directors exercise control over the company through their interests in the ServCo Limited Partnership ("ServCo").

Transactions since that date and balances at the year end were as follows:

Due from controlling party £000

Amount due from ServCo 644

Due to member of related party group

Amount due to MWB Management Services Limited 534

The amount due from ServCo arose from a charge of £548,000 plus VAT, representing salary and head office costs incurred by Marylebone Warwick Balfour Group Plc and its subsidiaries that had been invoiced to ServCo in accordance with the Services Agreement approved on 24 May 2002.

MWB Management Services Limited is a wholly owned subsidiary of Marylebone Warwick Balfour Group Plc. The balance due represents the net indebtedness of the company to the subsidiaries of Marylebone Warwick Balfour Group Plc when the company was acquired by ServCo on 24 May 2002. No interest is charged on the amount outstanding.

Since this date, the operating lease payments of £21,000 on the company's land and buildings were charged to MWB Management Services Limited at cost.

There were no other material transactions between these parties from 24 May 2002 to the year end.

15. SHARE CAPITAL

Authorised share capital:

	2002 £000	2001 £000
1,000 Ordinary shares of £1 each	<u>1</u>	<u>1</u>

Allotted, called up and fully paid:

	2002 No	2002 £000	2001 No	2001 £000
Ordinary shares of £1 each	<u>2</u>	<u>—</u>	<u>2</u>	<u>—</u>

16. PROFIT AND LOSS ACCOUNT

	2002 £000	2001 £000
Balance brought forward	(14,561)	(7,264)
Retained profit/(accumulated loss) for the financial year	<u>14,606</u>	<u>(7,297)</u>
Balance carried forward	<u>45</u>	<u>(14,561)</u>

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2002

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £000	2001 £000
Profit/(Loss) for the financial year	14,606	(7,297)
Opening shareholders' equity deficit	(14,561)	(7,264)
Closing shareholders' equity funds/(deficit)	<u>45</u>	<u>(14,561)</u>

18. NOTES TO THE STATEMENT OF CASH FLOWS

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

	2002 £000	2001 £000
Operating profit/(loss)	16,062	(10,027)
Depreciation	294	471
Decrease/(increase) in debtors	166,983	(63,828)
(Decrease)/increase in creditors	(196,360)	62,083
Net cash outflow from operating activities	<u>(13,021)</u>	<u>(11,301)</u>

RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2002 £000	2001 £000
Income from group undertakings	78	806
Interest received	492	1,161
Interest paid	—	(21)
Net cash inflow from returns on investments and servicing of finance	<u>570</u>	<u>1,946</u>

TAXATION

	2002 £000	2001 £000
Taxation	<u>1,806</u>	<u>(2,615)</u>

CAPITAL EXPENDITURE

	2002 £000	2001 £000
Payments to acquire tangible fixed assets	(262)	(428)
Receipts from sale of fixed assets	175	518
Net cash (outflow)/inflow from capital expenditure	<u>(87)</u>	<u>90</u>

MARYLEBONE WARWICK BALFOUR MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2002

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

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2002 £000	2001 £000
Decrease in cash in the period	(10,732)	(11,880)
Movement in net funds in the period	(10,732)	(11,880)
Net funds at 1 July 2001	11,279	23,159
Net funds at 30 June 2002	547	11,279

ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Jul 2001 £000	Cash flows £000	At 30 Jun 2002 £000
Net cash:			
Cash in hand and at bank	11,279	(10,732)	547
Net funds	11,279	(10,732)	547

19. IMMEDIATE AND ULTIMATE PARENT COMPANIES

Until 24 May 2002, the company's immediate parent was Marylebone Warwick Balfour Holdings Limited and its ultimate parent company was Marylebone Warwick Balfour Group Plc. Both companies are registered in England and Wales.

The only group in which the results of the company up to 24 May 2002 are consolidated is that headed by Marylebone Warwick Balfour Group Plc. The consolidated financial statements are available to the public and may be obtained from the Company Secretary, City Group Limited, 25 City Road, London EC1Y 1BQ.

After 24 May 2002, the company's immediate parent was the ServCo Limited Partnership ("ServCo"). ServCo is a UK partnership controlled by its partners, all of whom are individuals. Since ServCo is not required to produce group accounts, the result of the company between 24 May and 30 June 2002 are not consolidated within any reporting entity.