

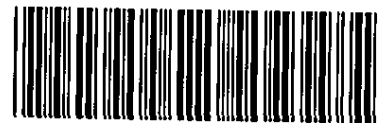
MWB Serviced Office Holdings Limited

**Directors' report and financial
statements**

Registered number 4129282

31 December 2006

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Directors' report and financial statements

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Directors' report

In October 2005 the Company changed its financial year end from 30 June to 31 December to align with the financial year end of its parent company. Accordingly, the Directors present their report and audited financial statements for the eighteen months to 31 December 2006.

Principal activities

The Company acts as the holding company for the Serviced Offices division of its group.

Results

The results for the period ended 31 December 2006 are set out on page 5. The Directors do not recommend the payment of a dividend (2005 £nil).

Directors and Directors' interests

The Directors who held office during the period were as follows:

RG Balfour-Lynn
JW Harrison
JS Shashoua
AF Blurton
J Singh
MA Bibring

None of the Directors had any interest in the share capital of the Company. The interests of the Directors in the share capital of the ultimate holding company, Marylebone Warwick Balfour Group Plc, are disclosed in the financial statements of that company.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



G Robson
Secretary

179 Great Portland Street
London
W1W 5LS

16th July 2007

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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 will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

KPMG Audit Plc

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent auditors' report to the members of MWB Serviced Office Holdings Limited

We have audited the financial statements of MWB Serviced Office Holdings Limited for the period ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Deficit and the related notes. These financial statements have been prepared under 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 directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 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 judgments 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 MWB Serviced Office Holdings Limited (*continued*)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2006 and of its loss for the period 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

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

15 August 2007

Profit and Loss Account
for the period ended 31 December 2006

	<i>Note</i>	Period ended 31 December 2006 £	Year ended 30 June 2005 £
Administrative expenses		-	8,000
Operating Profit		-	8,000
Interest payable		(2,413,758)	(1,609,172)
Loss on ordinary activities before taxation	2	(2,413,758)	(1,601,172)
Taxation	3	-	-
Loss for the period	9	(2,413,758)	(1,601,172)

All amounts relate to continuing activities

There is no difference between losses as stated and losses on the historical cost basis

There are no recognised gains or losses other than the loss for the financial period


Balance sheet
 at 31 December 2006


	Note	31 December 2006 £	30 June 2005 £
Fixed assets			
Investments	5	9,182,743	2,857,201
Current assets			
Debtors	6	2	2
Creditors amounts falling due within one year	7	(39,652,799)	(30,913,499)
Net current liabilities		(39,652,797)	(30,913,497)
Net liabilities		(30,470,054)	(28,056,296)
Capital and reserves			
Called up share capital	8	3	3
Share premium account	9	11,870,999	11,870,999
Profit and loss account	9	(42,341,056)	(39,927,298)
Equity shareholders' deficit		(30,470,054)	(28,056,296)

These financial statements were approved by the Board of Directors on
 signed on its behalf by

16th July

2007 and were


AF Blurton
 Director


J Singh
 Director

Reconciliation of movements in shareholders' deficit
for the Period ended 31 December 2006

	Period ended 31 December 2006 £	Year ended 30 June 2005 £
Loss for the period and net reduction in shareholders' funds	(2,413,758)	(1,601,172)
Opening shareholders' deficit	(28,056,296)	(26,455,124)
Closing shareholders' deficit	(30,470,054)	(28,056,296)

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

Basis of preparation

The Company has received an assurance from its holding company that it will provide such funds as necessary for the Company to meet its liabilities as they fall due. For this reason the financial statements have been prepared on the going concern basis.

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

The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Under FRS1 (revised 1996) the Company is exempt from the requirement to prepare a cashflow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Marylebone Warwick Balfour Group Plc, it has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

Investment in subsidiary undertakings

The interest of the Company in the shares of subsidiary undertakings is recognised at cost less any provision for impairment.

2 Loss on ordinary activities before taxation

	Period ended 31 December 2006 £	Year ended 30 June 2005 £
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration - as auditors	-	-

Audit fees are borne by a parent company

Notes (Continued)

3 Taxation

The tax credit on the losses on ordinary activities has been reduced from the amount that would arise from applying the corporation tax rate to the Company's losses as follows

	Period ended 31 December 2006 £	Year ended 30 June 2005 £
UK corporation tax at 30% on company losses before tax	(724,127)	(480,352)
Losses carried forwards for use in future years	724,127	480,352
	<hr/>	<hr/>
Total corporation tax credited to the profit and loss account	-	-
	<hr/>	<hr/>

The Company has approximately £7.9m of excess interest costs available to carry forward (2005 £2.3m)

4 Directors and employees

None of the Directors received any emoluments from the Company for their services during the period (2005 £nil)

There are no employees other than the Directors (2005 none)

5 Investments

	Investment in subsidiary undertakings £
At 30 June 2005	2,857,201
Additional investment during the period	6,325,542
	<hr/>
At 31 December 2006	9,182,743
	<hr/>

The principal subsidiary undertaking of the Company at the period end, which was involved in the licensing or servicing of business accommodation, was

Subsidiary	Share capital held	Holding
<u>Held by the Company</u>		
MWB Business Exchange Plc	Ordinary shares	37%

Notes (continued)

6 Debtors

	31 December 2006 £	30 June 2005 £
Amounts due from group undertakings	2	2

7 Creditors

	31 December 2006 £	30 June 2005 £
Amounts due to group undertakings	39,652,799	30,913,499

8 Called up share capital

	31 December 2006 £	30 June 2005 £
<i>Authorised</i> 1,000 ordinary shares of £1 each	1,000	1,000
<i>Allotted, called up and fully paid</i> 3 ordinary shares of £1 each	3	3

9 Reserves

	Share premium account £	Profit and loss account £
At 30 June 2005	11,870,999	(39,927,298)
Loss for the period	-	(2,413,758)
At 31 December 2006	11,870,999	(42,341,056)

Notes *(continued)*

10 Immediate and ultimate parent companies

The Company's immediate parent is Marylebone Warwick Balfour Holdings Limited. The Company's ultimate parent company is Marylebone Warwick Balfour Group Plc. Both companies are registered in England and Wales.

The only group in which the results of the Company are consolidated is that headed by Marylebone Warwick Balfour Group Plc. Copies of its accounts are available from the Company Secretary, City Group P L C, 30 City Road, London EC1Y 2AG.