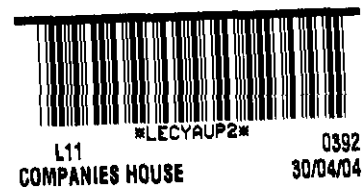


**Marylebone Warwick Balfour Finance Limited**

Directors' report and financial  
statements

Registered number 2874232

30 June 2003



## **Directors' report and financial statements**

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## Directors' report

The Directors present their report and the audited financial statements for the year ended 30 June 2003.

### Principal activities

The principal activity of the Company is managing a property backed mortgage portfolio.

### Results and dividends

The results for the year ended 30 June 2003 are set out on page 4. The Directors do not recommend the payment of a dividend in the year (2002: £nil).

### Directors and Directors' interests

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

RG Balfour-Lynn  
JW Harrison  
JS Shashou  
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.

### 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



**Gail Robson - Skeete**  
Secretary

1 West Garden Place  
Kendal Street  
London W2 2AQ

16<sup>th</sup> March 2004

## Statement of 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 for that year. 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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

### **Report of the independent auditors to the members of Marylebone Warwick Balfour Finance Limited**

We have audited the financial statements on pages 4 to 10.

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 are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

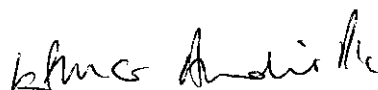
#### **Basis of audit opinion**

We conducted our audit in accordance with 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 2003 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

27 April 2004

**Profit and loss account**  
*for the year ended 30 June 2003*

	<i>Note</i>	<b>2003</b> <b>£000</b>	2002 £000
<b>Turnover</b>	<i>2</i>	<b>58</b>	71
Cost of sales		-	-
		<hr/>	<hr/>
<b>Gross profit</b>		<b>58</b>	71
Administrative expenses		(19)	(11)
		<hr/>	<hr/>
<b>Profit on ordinary activities before interest and taxation</b>		<b>39</b>	60
Net interest receivable	<i>3</i>	1	1
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	<i>4</i>	<b>40</b>	61
Tax on profit on ordinary activities	<i>6</i>	-	43
		<hr/>	<hr/>
<b>Retained profit for the year</b>	<i>11</i>	<b>40</b>	104
		<hr/>	<hr/>

All amounts relate to continuing activities.

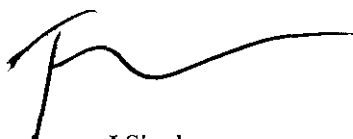
There were no recognised gains or losses other than the profit for the financial year.

**Balance sheet**  
*at 30 June 2003*

	<i>Note</i>	<b>2003</b> <b>£000</b>	<b>2002</b> <b>£000</b>
<b>Current assets</b>			
Debtors : amounts falling due after more than one year	7	267	287
Debtors : amounts falling due within one year	8	109	39
Cash at bank		58	68
		<hr/>	<hr/>
		434	394
<b>Creditors:</b> amounts falling due within one year	9	(263)	(263)
		<hr/>	<hr/>
<b>Net assets</b>		171	131
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	10	13	13
Profit and loss account	11	158	118
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>		171	131
		<hr/>	<hr/>

These financial statements were approved by the Board of Directors on *10<sup>th</sup> March* 2004 and were signed on its behalf by:

  
**A F Blurton**  
*Director*

  
**J Singh**  
*Director*

**Reconciliation of movements in shareholders' funds**  
*for the year ended 30 June 2003*

	<b>2003</b> <b>£000</b>	2002 £000
<b>Profit for the financial year</b>	<b>40</b>	104
<b>Net addition to shareholders' funds</b>	<b>40</b>	104
Opening shareholders' funds	131	27
<b>Closing shareholders' funds</b>	<b>171</b>	131



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

Under FRS1 (Revised) the Company is exempt from the requirement to prepare a cash flow 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 FRS8 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).

#### ***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.

In accordance with FRS 19, Deferred Tax is 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 FRS19. Deferred tax is measured on a non-discounted basis.

### 2 Turnover

The turnover of the Company is stated net of value added tax and is derived from interest and profit on repayments of mortgages in the United Kingdom.

	2003 £000	2002 £000
Total payments receivable	78	89
Book value of mortgages repaid	(20)	(18)
	<hr/>	<hr/>
	58	71
	<hr/>	<hr/>

## Notes (continued)

### 3 Net interest receivable

	2003 £000	2002 £000
Bank interest receivable	1	1
Interest payable on bank loans and overdrafts	-	-
Net interest receivable	1	1

### 4 Profit on ordinary activities before taxation

	2003 £000	2002 £000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration - as auditors	-	-

Audit fees are borne by a holding company.

### 5 Directors and employees

The Company employed no staff during the year (2002: nil).

None of the Directors received any emoluments from the Company (2002: £nil).

### 6 Tax on profit on ordinary activities

	2003 £000	2002 £000
Corporation Tax at 30% (2002: 30%) on current year profits	-	-
Adjustment in respect of prior years	-	43
	-	43

The prior year adjustment arose as a result of a change in the timing of a deduction for payments made to acquire a share in the profits.

The tax on profits at the standard rate of 30% should have been £12,000 (2002: £18,300). In both years, due to tax losses received from other group companies for no consideration the tax charge has been reduced to nil.

**Notes** *(continued)*

**7 Debtors: amounts falling due after more than one year**

	<b>2003</b>	2002
	<b>£000</b>	£000
Mortgage portfolio	<b>267</b>	287

The mortgage portfolio at 30 June 2003 consisted of 4 loans (2002: 4 loans), repayable to the Company on varying dates between 6 and 9 years. These are held at cost and amortised on the sum of digits method over the terms of the loans. Interest was charged by the company at rates between 9% and 9.5% per annum and is included in turnover for the year. In all cases, the mortgages are secured on the underlying properties and were valued by the Directors at £519,989 at 30 June 2003 (2002: £550,640) being the lower of the mortgage balance and the value of the underlying security in each case.

**8 Debtors: amounts falling due within one year**

	<b>2003</b>	2002
	<b>£000</b>	£000
Amounts due from group undertakings	<b>109</b>	39

**9 Creditors: amounts falling due within one year**

	<b>2003</b>	2002
	<b>£000</b>	£000
Amounts due to group undertakings	<b>263</b>	263
	<b>263</b>	263

**Notes** *(continued)*

**10 Called up share capital**

	<b>2003</b>	2002
	<b>£000</b>	£000
<i>Authorised</i>		
500,000 ordinary shares of £1 each	<b>500</b>	500
	<hr/>	<hr/>
<i>Allotted, called up and issued</i>		
50,001 ordinary shares of £1 each	<b>50</b>	50
	<hr/>	<hr/>
<i>Paid</i>		
50,001 ordinary shares to the amount of £0.25 each	<b>13</b>	13
	<hr/>	<hr/>

**11 Profit and loss account**

	<b>£000</b>
At 1 July 2002	118
Retained profit for the year	40
	<hr/>
<b>At 30 June 2003</b>	<b>158</b>
	<hr/>

**12 Immediate and ultimate parent companies**

The Company's immediate parent is MWB Asset Management 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. The consolidated financial statements are available to the public and may be obtained from the Company Secretary, City Group P.L.C, 25 City Road, London EC1Y 1BQ.