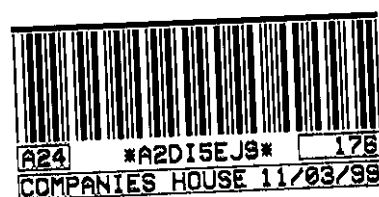


## **Marylebone Warwick Balfour Finance Plc**

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

30 June 1998

Registered number 2874232



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

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## **Directors' report**

The directors present their report and the audited financial statements for the 13 months ended 30 June 1998. The comparative period is for the year ended 31 May 1997.

### **Principal activities**

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

### **Results and dividends**

The results for the period ended 30 June 1998 are set out on page 5. The directors declared a dividend of £900,000 in the period (1997: £nil).

### **Directors and directors' interests**

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

RG Balfour-Lynn  
JW Harrison  
JS Shashoua  
J Singh  
MA Bibring  
AF Blurton (appointed 30 June 1997)

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.

### **Political and charitable contributions**

The company made no political contributions or charitable donations during the period.

### **Payment policy for creditors**

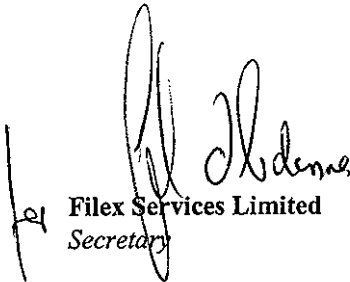
The company's policy concerning the payment of the majority of its trade creditors is to follow the CBI's Prompt Payers Code. The company does not have a material level of trade creditors.

## Directors' report *(continued)*

### 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

  
Filex Services Limited  
Secretary

179 Great Portland Street  
London W1N 6LS

29 December 1998

## **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 period. 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.

The directors have ensured that the above requirements have been followed in the operation of the company, and in the preparation of the financial statements of the company for the period ended 30 June 1998.



KPMG Audit Plc

8 Salisbury Square  
London EC4Y 8BB  
United Kingdom

## Report of the auditors to the members of Marylebone Warwick Balfour Finance Plc

We have audited the financial statements on page 5 to 12.

### Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### Basis of 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 1998 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

18 December 1998

**Profit and loss account**  
*for the period ended 30 June 1998*

	<i>Note</i>	<b>13 months to 30 June 1998 £000</b>	<b>Year to 31 May 1997 £000</b>
Turnover	2	345	294
Cost of sales		(17)	(17)
		<hr/>	<hr/>
Gross profit		328	277
Administrative expenses		(108)	(120)
		<hr/>	<hr/>
Operating profit		220	157
Minority buyout adjustment	12	(186)	-
		<hr/>	<hr/>
Profit on ordinary activities before interest		34	157
Net interest payable	3	(59)	(66)
		<hr/>	<hr/>
(Loss)/profit on ordinary activities before taxation	4	(25)	91
Tax on (loss)/profit on ordinary activities	6	-	-
		<hr/>	<hr/>
(Loss)/profit on ordinary activities after taxation		(25)	91
Dividend paid		(900)	-
		<hr/>	<hr/>
Retained (loss)/profit for the period	11	(925)	91
		<hr/>	<hr/>

All amounts relate to continuing activities.

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

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

**Balance sheet**  
 at 30 June 1998

	Note	30 June 1998 £000	31 May 1997 £000
<b>Current assets</b>			
Debtors : amounts falling due after more than one year	7	1,153	1,376
Debtors : amounts falling due within one year	8	4,596	1,603
		<hr/>	<hr/>
		5,749	2,979
Creditors: amounts falling due within one year	9	(5,481)	(1,786)
		<hr/>	<hr/>
<b>Net current assets</b>		268	1,193
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	10	13	13
Profit and loss account	11	255	1,180
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>		268	1,193
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 18<sup>th</sup> December 1998 and were signed on its behalf by:



**AF Blurton**  
 Director



**J Singh**  
 Director

**Reconciliation of movements in shareholders' funds**  
*for the period ended 30 June 1998*

	13 months to 30 June 1998 £000	Year to 31 May 1997 £000
(Loss)/profit for the financial period	(925)	91
Net (reduction in)/addition to shareholders' funds	(925)	91
Opening shareholders' funds	1,193	1,102
Closing shareholders' funds	268	1,193

## 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 Financial Reporting Standard 1 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 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).

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

### 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.

	13 months to 30 June 1998 £000	Year to 31 May 1997 £000
Total payments receivable	568	340
Book value of mortgages repaid	(223)	(46)
	<hr/> 345 <hr/>	<hr/> 294 <hr/>

### 3 Net interest payable

	13 months to 30 June 1998 £000	Year to 31 May 1997 £000
On bank loans and overdrafts	59	66
	<hr/>	<hr/>

## Notes (continued)

### 4 (Loss)/profit on ordinary activities before taxation

	13 months to 30 June 1998 £000	Year to 31 May 1997 £000
<i>(Loss)/profit on ordinary activities before taxation is stated after charging</i>		
Auditors remuneration - as auditors	3	4
- other services	1	-
	<u>4</u>	<u>4</u>

### 5 Directors and employees

The company employed no staff during the period (1997: nil).

None of the directors received any emoluments from the company (1997: £nil).

### 6 Tax on (loss)/profit on ordinary activities

	13 months to 30 June 1998 £000	Year to 31 May 1997 £000
UK corporation tax at 31 % (1997: 33%)	-	-
	<u>-</u>	<u>-</u>

The company's tax losses have been surrendered to other group companies for no consideration.

**Notes (continued)**

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

	30 June 1998 £000	31 May 1997 £000
Mortgage portfolio	1,153	1,376

The mortgage portfolio consists of 13 loans, repayable to the Group on varying dates between 7 and 14 years. These are held at cost. Interest is charged by the company at rates between 8.5% and 11.5% per annum and is included in turnover. In all cases, the mortgages are secured on the underlying properties and have been valued by the directors at £2,145,000 at 30 June 1998, being the lower of the mortgage balance and the value of the underlying security in each case.

A bank loan is secured on the mortgage portfolio of which £224,000 (1997: £1,183,000) had been drawn at the year end.

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

	30 June 1998 £000	31 May 1997 £000
Amounts owed by group undertakings	4,595	1,602
Prepayments and accrued income	1	1
	<u>4,596</u>	<u>1,603</u>

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

	30 June 1998 £000	31 May 1997 £000
Bank overdrafts	224	1,183
Amounts owed to group undertakings	5,228	18
Amounts owed to related parties (note 12)	-	535
Corporation tax	25	25
Accruals and deferred income	4	25
	<u>5,481</u>	<u>1,786</u>

**Notes (continued)**

**10 Called up share capital**

	30 June 1998 £000	31 May 1997 £000
<i>Authorised</i>		
500,000 ordinary shares of £1 each	500	500
	<hr/>	<hr/>
<i>Allotted, called up and issued</i>		
50,001 ordinary shares of £1 each	50	50
	<hr/>	<hr/>
Paid 50,001 ordinary shares of £0.25 each	13	13
	<hr/>	<hr/>

**11 Profit and loss account**

	£000
At beginning of period	1,180
Retained loss for the period	(925)
	<hr/>
At end of period	255
	<hr/>

**12 Related party transactions**

	note	30 June 1998 £000	31 May 1997 £000
Related party creditors (less than one year)			
Marylebone Warwick Balfour Finance Plc profit shares	(i)	-	472
Loans from directors	(ii)	-	63
		<hr/>	<hr/>
		-	535
		<hr/>	<hr/>

## Notes (continued)

### 12 Related party transactions (continued)

- i) Pinjarra Properties Limited a company associated with B Bauman (a former director of the company) and Hush Heath Management Limited (a company controlled by RG Balfour-Lynn) were each entitled to a 15% share of profits arising in the company until this arrangement was bought out on 15 July 1997 for a total consideration of £660,000. The charge in the profit and loss account represents the surplus paid above the unpaid amounts due to them at that date.

Profits earned in the period totalled £49,000 (1997 : £79,000) between them.

- ii) This balance represented funding provided by the directors to the company via their private interests in NATCO Properties Limited, MEC Executive Pension Scheme and Warwick Balfour Executive Pensions Scheme No.1. These loans were repaid in the period.

### 13 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Marylebone Warwick Balfour Group Plc, which is 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 Limited, 25 City Road, London EC1Y 1BQ.