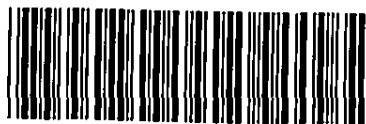


MWB Group Holdings Plc

Initial accounts
for the period from 29th January 2008
to 30th June 2008
Registered number 6487877

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Directors' report and financial statements

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Directors and auditors

Directors

E F Sanderson	(Appointed 6 February 2008)
R G Balfour Lynn	(Appointed 6 February 2008)
A F Blurton	(Appointed 29 January 2008)
J Singh	(Appointed 29 January 2008)
M A Bibring	(Appointed 6 February 2008)
R P Burrow	(Appointed 6 February 2008)
D C Marshall	(Appointed 6 February 2008)

Secretary and Registered Office

City Group Plc
30 City Road
London EC1Y 2AG

Registered auditors

KPMG Audit Plc
8 Salisbury Square
London EC4Y 8BB

Directors' report

Initial accounts

These financial statements are the initial accounts of MWB Group Holdings Plc ("the Company") for the period from incorporation on 29th January 2008 to 30th June 2008

It is proposed that following the period end, the Company will redeem the 50,000 redeemable preference shares

Principal activities

The principal activity of the Company is acting as a holding company. The Company was incorporated as a public limited company on 29th January 2008 with an authorised share capital of £50,001 comprising 1 A Ordinary Share of £1 and 50,000 Redeemable Shares of £1 each. All such shares were taken up by the subscribers to the memorandum of association.

By ordinary resolution passed on 6 February 2008 the authorised share capital of the Company was increased to £214,157,001 divided into 50,000 Redeemable Shares of £1 each, 1 A Ordinary Share, 107,000,000 ordinary shares of 0.1p each and 2,140,000,000 B shares of 10p each.

On 3rd April 2008, pursuant to a court approved scheme of arrangement under section 425 of the Companies Act 1985 the Company became the holding company of Marylebone Warwick Balfour Group Plc (the "Old Company"). All the existing shares of the Old Company were delisted from the London Stock Exchange and removed from the official list. The existing Ordinary Shares in the Old Company were cancelled in exchange for 80,522,017 new Ordinary Shares of 50p each in the Old Company being issued to the Company and the Company issuing new units (comprising a combination of 1 Ordinary Share and 20 B shares in the Company ("Units")) to the former Old Company shareholders (so that the existing shareholders of the Old Company became the shareholders of the Company) and the Units were admitted to the official list and to trading on the London Stock Exchange.

In accordance with the above, 80,522,017 existing Old Company Ordinary Shares were cancelled and 80,522,017 Old Company Ordinary Shares were issued to the Company. In consideration thereof, the Company issued 80,522,017 Units to the former Old Company shareholders consisting of 80,522,017 Ordinary Shares of 0.1p each and 1,610,440,340 B shares of 10p each.

On 9 April 2008, by virtue of a resolution taking effect as a special resolution and with the sanction of the order of the High Court of Justice the share capital of the Company was reduced by reducing the nominal value of each B share from 10p to 0.01p. In so doing, distributable reserves of £160,882,990 were created.

Directors' report (Continued..)

Results and dividends

The results for the initial period ended 30 June 2008 are set out on page 10. No interim dividend was paid during the period. The Directors do not recommend the payment of a final dividend.

Directors and Directors' interests

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

EF Sanderson
RG Balfour-Lynn
AF Blurton
J Singh
MA Bibring
RP Burrow
DC Marshall

The interest of the Directors in the share capital of the Company are set out below:

EQUITY INTERESTS OF DIRECTORS IN THE COMPANY

The interests of the Directors and of their families, which are beneficial unless otherwise referred to below, in the issued ordinary shares of the Company at 30 June 2008 are as follows -

	30 June 2008 Ordinary shares
E F Sanderson	-
R G Balfour-Lynn	7,533,655
A F Blurton	694,130
J Singh	1,030,803
M A Bibring	609,742
R P Burrow	-
D C Marshall	<u>2,000,000</u>
	<u>11,868,330</u>

EQUITY INTERESTS OF DIRECTORS IN THE COMPANY (Continued)

Certain Directors held interests in the Company's listed Loan Stock at 30 June 2008 as follows -

Director	Amount of Loan Stock	Percentage of Loan Stock in issue
R G Balfour-Lynn	£1,000,000*	3 3%
A F Blurton	<u>£250,000</u>	<u>0 8%</u>
	<u>£1,250,000</u>	<u>4 1%</u>

*Includes £400,000 subscribed by the Jane Balfour-Lynn Life Interest Settlement, which is connected with Mr Balfour-Lynn for the purpose of Section 252 of the Companies Act 2006, and of which Mr Balfour-Lynn is a trustee with no beneficial interest therein

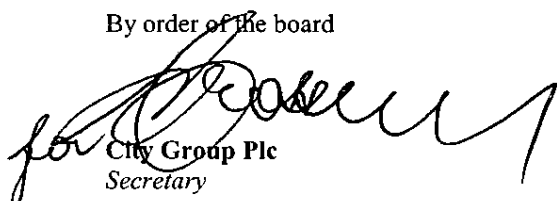
Disclosure of information to auditors

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


City Group Plc
Secretary

30 City Road
London
EC1Y 2AG

2 September 2008

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

Company law requires the directors of a public company to prepare initial accounts where that company wishes to make a distribution prior to its first statutory accounts having been laid before its members. The initial accounts are in respect of the Company only and are required to be properly prepared or have been so prepared subject to matters that are not material for determining whether the distribution would contravene the relevant provisions of the Companies Act 2006.

In preparing the initial accounts the directors have

- selected suitable accounting policies and then applied them consistently,
- made judgments and estimates that are reasonable and prudent,
- stated whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepared the initial accounts on the going concern basis.

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 2006. 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 are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



KPMG Audit Plc
8 Salisbury Square
London
EC4Y 8BB

Independent auditors' report to the directors of MWB Group Holdings plc under section 839(5) of the Companies Act 2006

We have audited the initial accounts of MWB Group Holdings plc for the period from 29 January 2008 to 30 June 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes. These initial accounts have been prepared under the accounting policies set out therein.

This report is made solely to the Company's directors as a body in accordance with section 839 of the Companies Act 2006. Our work has been undertaken so that we as the Company's auditors might state to the Company's directors those matters we are required to state to them in a report under section 839 of that Act 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 directors as a body for our work under section 839 of that Act, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the initial accounts in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice) are set out on page 7.

Our responsibility is to audit the initial accounts 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 initial accounts are properly prepared within the meaning of section 839 of the Companies Act 2006.

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 initial accounts. It also includes an assessment of the significant estimates and judgements made by the directors in preparation of the initial accounts, 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 initial accounts 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 initial accounts.

Opinion

In our opinion the initial accounts for the period from 29 January 2008 to 30 June 2008 have been properly prepared within the meaning of section 839 of the Companies Act 2006

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

2 September 2008

Profit and loss account

for the period from 29th January 2008 to 30th June 2008

	<i>Note</i>	Period from 29 January 2008 to 30 June 2008 £000
Administrative expenses		(122)
Operating loss		(122)
Sale of investments		43,120
Waiver of inter-company debt		60,854
Profit on ordinary activities before interest and taxation	2	103,852
Interest	3	(829)
Profit on ordinary activities before taxation	3	103,023
Tax on profit on ordinary activities	5	-
Profit on ordinary activities after taxation		103,023

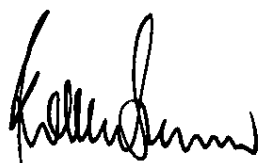
All amounts relate to continuing activities

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

Balance sheet
at 30 June 2008

	<i>Note</i>	30 June 2008 £000
Fixed assets		
Investments	6	578,548
Current assets	7	
Debtors		172,596
Creditors: amounts falling due within one year	8	<u>(465,405)</u>
Net current liabilities		<u>(292,809)</u>
Total assets less current liabilities		285,739
Creditors Amounts falling due after one year	9	<u>(29,916)</u>
Net assets		<u>255,823</u>
Capital and reserves		
Called up share capital	10 & 11	273
Capital redemption reserve	11	18
Profit and loss account	11	<u>255,532</u>
Equity shareholders' funds	11	<u>255,823</u>

These financial statements were approved by the Board of Directors on 2 September 2008 and were signed on its behalf by



AF Blurton
Director

Reconciliation of movements in shareholders' funds
for the period from 29th January 2008 to 30th June 2008

	Period from 29 January 2008 to 30 June 2008 £000
Shares issued on incorporation	50
Shares issued on acquisition of MWB Group Plc	161,124
Shares bought back during period	(8,374)
	<hr/>
	152,800
Profit for the financial year	103,023
	<hr/>
Net addition to shareholders' funds	255,823
Opening shareholders' funds	-
	<hr/>
Closing shareholders' funds	255,823
	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

These financial statements do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985, but are initial accounts which have been prepared in view of the proposed redemption of the preference share, in accordance with, and for the purposes of, section 273 of the Companies Act 1985. It is proposed that, following the period end, the Company will redeem the 50,000 redeemable preference shares.

Basis of preparation

Notwithstanding that the company has net current liabilities, it is considered appropriate to prepare these accounts on a going concern basis as the counterparty companies have given an undertaking that it is not their intention to call in the loans at any period during the next twelve months.

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and generally accepted accounting policies in the United Kingdom ("UK GAAP").

Fixed asset investments

Investments in subsidiary undertakings are stated in the balance sheet at cost less provisions for impairment. Fixed asset investments are tested for impairment when an event that might affect values has occurred. An impairment loss is recognised to the extent that the carrying amount cannot be recovered either by selling the investment or by the discounted future earnings from the investment.

Group reorganisation transactions

By ordinary resolution passed on 6 February 2008 the authorised share capital of the company was increased to £214,157,001 divided into 50,000 Redeemable Shares of £1 each, 1 Class A Ordinary Share, 107,000,000 ordinary shares of 0.1p each and 2,140,000,000 B shares of 10p each.

On 3rd April 2008, pursuant to a court approved scheme of arrangement under section 425 of the Companies Act 1985 the Company became the holding company of Marylebone Warwick Balfour Group Plc (the "Old Company"). All the existing shares of the Old Company were delisted from the London Stock Exchange and removed from the official list. The existing ordinary shares in the Old Company were cancelled in exchange for 80,522,017 new Ordinary Shares of 50p each in the Old Company being issued to the Company and the Company issuing new units (comprising a combination of 1 Ordinary Share and 20 B shares in the Company ("Units")) to the former Old Company shareholders (so that the existing shareholders of the Old Company became the shareholders of the Company) and the Units were admitted to the official list and to trading on the London Stock Exchange.

In accordance with the above, 80,522,017 existing Old Company Ordinary shares were cancelled and 80,522,017 Old Company Ordinary shares were issued to the Company. In consideration thereof, the company issued 80,522,017 units to the former Old Company shareholders consisting 80,522,017 Ordinary Shares of 0.1p each and 1,610,440,340 B shares of 10p each.

On 9 April 2008, by virtue of a resolution taking effect as a special resolution and with the sanction of the order of the High Court of Justice the share capital of the Company was reduced by reducing the nominal value of each B share from 10p to 0.01p. In so doing, distributable reserves of £160,882,990 were created.

Notes *(continued)*

2 Profit on ordinary activities before taxation

	Period from 29 January 2008 to 30 June 2008 £000
<i>Profit on ordinary activities before taxation is stated after charging:</i>	
Auditors' remuneration - as auditors	26
- other services	-
	<hr/>

3 Net interest payable

	Period from 29 January 2008 to 30 June 2008 £000
Interest payable and similar charges	829
	<hr/>

4 Directors and employees

Service contracts of Executive Directors

The unexpired term of the service contracts of all Executive Directors of the Company is restricted to one year. The annual salaries and pension contributions of the Executive Directors borne by the Company during the year ended 30 June 2008, are set out below -

Director	Responsibility	Annual salary for period ended 30 June 2008 £	Pension entitlement £
R G Balfour-Lynn	Chief Executive	300,000	45,000
A F Blurton	Joint Finance Director	300,000	18,000
J Singh	Joint Finance Director	300,000	19,000
M A Bibring	Legal and Commercial Director	<u>300,000</u>	<u>19,000</u>
		<u>1,200,000</u>	<u>101,000</u>

Notes (continued)

Terms of engagement of Non-Executive Directors

The Non-Executive Directors do not have service contracts with the Company. Their services are the subject of detailed Letters of Engagement and, in the same manner as the Executive Directors, the Non-Executive Directors are subject to retirement by rotation every three years under the Articles of Association of the Company. The remuneration of the Non-Executive Directors is a matter for the Executive members of the Board. Their remuneration takes into account the level of responsibility, experience and abilities required from each Director, together with the marketplace for similar positions in comparable companies. The dates, period and terms of their appointments are as follows -

E F Sanderson	Chairman of the Company, appointed to 6 February 2008, at a total fee of £120,000 per annum, comprising Non-Executive Director's fees of £30,000 and a Chairman's fee of £90,000. The notice period is six months where notice is given prior to 30 June 2008, after which it is equal to the remaining period of the appointment to 31 December 2008. Mr Sanderson also receives private health insurance under the Company's private health scheme for him and his family, on the same scale as other employees.
R P Burrow	Appointed 6 February 2008 at a fee of £30,000 per annum. The term expires on 31 December 2008 but the appointment can be terminated at any time on three months' notice, for no compensation.
D C Marshall	Appointed 6 February 2008 at a current fee of £30,000 per annum. The term expires on 31 December 2008, but the appointment can be terminated at any time on three months' notice, for no compensation.

Non-Executive Directors do not participate in any Company sponsored pension arrangements.

Termination arrangements of Directors' Service Contracts and Letters of Engagement

Other than as set out above, there are no provisions in the service contracts of the Executive Directors or the letters of engagement of the Non-Executive Directors for compensation to be payable on early termination of engagement with any of the Directors. No compensation was payable to departing Directors during the period ended 30 June 2008.

5 Tax on profit on ordinary activities

The tax charge on the profit on ordinary activities has been reduced from the amount that would arise from applying the prevailing corporation tax rate to the Company's profits as follows -

	Period from 29 January 2008 to 30 June 2008 £000
UK corporation tax at 28% on Company profits before tax	28,846
Non-taxable loan waivers received	(17,039)
Group relief surrendered from other group companies for no consideration	(11,807)
	<hr/>
Total corporation tax charged to the profit and loss account	-
	<hr/> <hr/>

Notes (*continued*)

6 Investments

	30 June 2008 £000
At 29 January 2008	-
Acquisition of	
Marylebone Warwick Balfour Group Plc	161,125
Marylebone Warwick Balfour Group Structuring Limited	207,837
MWB Hotel Holdings Limited	149,640
Marylebone Warwick Balfour Holdings Limited	221,071
Transfer of	
Marylebone Warwick Balfour Group Plc	(161,125)
	<hr/>
At 30 June 2008	578,548 <hr/>

Details of principal investments are given in note 12. The Directors consider that the value of its investments are at least as high as their carrying values in the financial statements.

7 Debtors: amounts falling due within one year

	30 June 2008 £000
Amounts due from group undertakings	172,529
Called up redeemable preference share capital not paid	50
Prepayments	17
	<hr/>
	172,596 <hr/>

The £50,000 proceeds from the issuance of the redeemable shares subscribed from 29 January 2008 remain outstanding as at the period end.

8 Creditors: amounts falling due within one year

	30 June 2008 £000
Amounts due to group undertakings	463,734
Loans and borrowings	1,615
Accruals	56
	<hr/>
	465,405 <hr/>

Notes (*continued*)

8 Creditors: amounts falling due within one year

Amounts due to group undertakings are unsecured and interest is not charged

The loans and borrowings shown above are unsecured with interest charged at 9% per annum and maturing in June 2009

9 Creditors: amounts falling due after one year

	30 June 2008 £000
9 75% Unsecured Loan Stock 2009/2012	29,916

10 Called up share capital

	30 June 2008 £000
<i>Authorised</i>	
50,000 redeemable preference shares of £1	
100,849,465 Units of 0 3p each unit consisting of 1 ordinary share of 0 1p and 20 B shares of 0 01p each	
<i>Allotted, called up and fully paid</i>	
50,000 redeemable preference shares of £1	50
74,371,482 Units being,	
74,371,482 ordinary shares of 0 1p each	74
1,487,429,640 B shares of 0 01p each	149
	273

The redeemable preference shares carry no rights to vote and carry the right to receive dividends at a non-cumulative fixed rate of 0 0000001% of nominal value per annum but not otherwise to participate in the profits of the Company and its subsidiary undertakings

The Company may redeem the redeemable preference shares at par value at any time upon giving 14 days notice to the holder of the redeemable shares of the Company's intention to do so

Notes *(continued)*

11 Reserves

	Share Capital	Capital redemption reserve	Profit and loss account
	£000	£000	£000
At 29 January 2008	-	-	-
Shares issued on incorporation	161,174	-	-
Capital reduction	(160,883)	-	160,883
Profit for the year	-	-	103,023
Shares bought back	(18)	18	(8,374)
	<hr/>	<hr/>	<hr/>
At 30 June 2008	273	18	255,532
	<hr/>	<hr/>	<hr/>

12 Subsidiary undertakings

The principal subsidiary undertakings of the Company at 30 June 2008 were as follows

Name of company	Holding of ordinary shares	Nature of activities
Marylebone Warwick Balfour Structuring Limited	100%	Holding company
MWB Hotel Holdings Limited	100%	Holding company
Marylebone Warwick Balfour Holdings Limited	100%	Holding company