Post Inns Limited

Directors' report and financial statements
Registered number 42775

For the year ended 30 June 2005

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Directors' report

The Directors present their annual report and the audited financial statements for Post Inns Limited ("the Company") for the year ended 30 June 2005.

Principal activities

The Company does not trade and acts as an investment holding company.

Results and dividends

The profit before taxation for the year ended 30 June 2005 was £3,000 *(2004: loss £17,000)*.

The Directors do not propose the payment of a dividend *(2004: £nil)*.

Going concern

The Directors believe that there are sufficient grounds for issuing financial statements prepared on the going concern basis as disclosed more fully in note 1 (a), basis of preparation.

Directors and their interests

The Directors who were appointed and held office during the year, and subsequently, were as follows:

I .D. Ferguson		
R. E. Riley		(resigned 24 November 2005)
Zoe Directors Limited	(formerly Meridien Directors Limited)	(resigned 24 November 2005)
N.L.Hill		(appointed 16 November 2005)

The directors who held office at the end of the financial year had the following interests in the Ordinary B shares of £0.01 of Zoe Services Company Plc (formerly Meridien Services Company Plc), a Group company, according to the register of directors' interests:

	Interest at end of year	**Interest at start of year**
I. D. Ferguson	-	500

None of the Directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families or exercised by the director during the financial year.

Political and charitable contributions

The Company made no political or charitable contributions during the year *(2004: Nil)*.

Auditors

Pursuant to a shareholders' resolution, the Company is not obliged to re-appoint its auditors annually and KPMG Audit Plc will therefore continue in office.

By order of the Board

Iain Ferguson
Director

Hesketh House
43-45 Portman Square
London
W1H 6HN

27 April 2006

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.

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.

Independent auditors' report to the members of Post Inns Limited

We have audited the financial statements of Post Inn Limited for the year ended 30 June 2005 which comprise the Profit and Loss Account, the Balance Sheet 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

As described in the Statement of Directors' Responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice). 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 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.

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.

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 30 June 2005 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985

KPMG Audit Plc

27 April 2006

KPMG Audit Plc
Chartered Accountants
Registered Auditor

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Profit and loss account
for the year ended 30 June 2005

	Note	**2005 £'000**	2004 £'000
Net operating income/(loss)		**3**	(17)
Profit/(loss) on ordinary activities before taxation	*2*	**3**	(17)
Taxation on profit/(loss) on ordinary activities	*4*	**(1)**	177
Profit on ordinary activities after taxation		**2**	160
Dividends non-equity		**(13)**	(47)
Retained (loss)/profit for the year for equity shareholders		**(11)**	113

The loss for the year arises from continuing activities.

There is no difference between the loss reported above and the historical cost loss.

There are no recognised gains or losses in the year, or in the previous year, other than the results as reported above.

The notes on pages 6 to 9 form part of these financial statements.

Balance sheet

at 30 June 2005

	Note	2005 £'000	2004 £'000
Fixed assets			
Investments	5	**1,293**	1,293
Current assets			
Debtors: amounts falling due within one year	6	**589**	585
Cash		**-**	1
		589	586
Creditors: amounts falling due within one year	7	**(352)**	(338)
Net current assets		**237**	248
Total assets less current liabilities, and net assets		**1,530**	1,541
Capital and reserves			
Called up share capital	8	**925**	925
Profit and loss account	9	**605**	616
Shareholders' funds – equity	9	**1,530**	1,541

These financial statements were approved by the board of Directors on 27 April 2006 and were signed on its behalf by:

Iain Ferguson
Director

The notes on pages 6 to 9 form part of these financial statements.

Notes
(forming part of the financial statements)

1 Statement of 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.

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable United Kingdom accounting standards.

The financial statements are prepared on a going concern basis which, the Directors believe to be appropriate following the solvent recapitalisation of the Newgate Capital Limited group's ('the Group's) borrowing facilities on 24 November 2005, under which the Company was formerly a guarantor, but which it has now been released.

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 Newgate Capital Limited, the Company 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.

(b) Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

(c) Investments

Investments acquired with the intention that they will be held for the long term are stated at cost less provision, if appropriate, for any permanent diminution in value.

(d) Foreign exchange

Exchange differences arising on the Company's net investments in overseas subsidiary undertakings and on borrowings in foreign currencies specifically taken out to hedge those investments are dealt with through reserves. Other exchange differences are taken to the profit and loss account.

2 Profit/(loss) on ordinary activities before taxation

Profit on ordinary activities is stated after crediting/(charging):

	2005	2004
	£'000	£'000
Gain/(loss) on foreign currency translation	**3**	(17)

The auditors' remuneration was borne by a fellow Group undertaking in both the year and previous year.

Notes *(continued)*

3 Staff costs and directors emoluments

The Company had no employees during the year. No Director of the Company received emoluments for services to the Company during the year ended 30 June 2005 *(2004: £nil).*

4 Taxation

	2005 £'000	2004 £'000
Group relief receivable at 30%	-	(5)
Adjustments in respect of prior periods – Group relief	1	(172)
	1	(177)

Factors affecting tax charge/(credi)t for the year

The total current tax shown above is different to the amount calculated by applying the standard UK corporation tax of 30% *(2004: 30%)* to the profit/(loss) before tax.

Current tax reconciliation :	2005 £'000	2004 £'000
Profit/(loss) on ordinary activities before tax	3	(17)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax (30%)	1	(5)
Effects of: adjustments in respect of prior periods – Group relief	-	(172)
	1	(177)

5 Investments

	2005 £'000	2004 £'000
At beginning and at end of year	1,293	1,293

The fixed asset investments mainly comprise 14.78% of the issued share capital of Sociedade Turistica da Penina S.A., a company incorporated in Portugal. In total, 91.06% of the issued share capital of Sociedade Turistica da Penina S.A. is owned collectively by the Company and its fellow group undertakings.

On 3 November 2005 Zoe Meridien Acquisition Company I Limited (formerly Meridien Acquisition Company I Limited) acquired in total, 91.06% of the issued share capital of Sociedade Turistica da Penina S.A., owned by the Company and its fellow group undertakings.

6 Debtors

	2005 £'000	2004 £'000
Amounts due from group undertakings	589	585

Notes *(continued)*

7 Creditors: amounts falling due within one year

	2005 £'000	2004 £'000
Group relief payable	5	4
Amounts owed to group undertakings	287	287
Dividends payable	60	47
	352	338

8 Called up share capital

	2005 £'000	2004 £'000
Authorised		
Equity: 800,000 Ordinary shares of £1.00 each	800	800
100,000 6% Cumulative Preference shares of £1.00 each	100	100
100,000 6.5% Cumulative Second Preference shares of £1.00 each	100	100
	1,000	1,000
Allotted, called up and fully paid		
Equity: 725,000 Ordinary shares of £1.00 each	725	725
100,000 6% Cumulative Preference shares of £1.00 each	100	100
100,000 6.5% Cumulative Second Preference shares of £1.00 each	100	100
	925	925

The 6% Cumulative Preference Shares confer a right to a fixed cumulative dividend at the rate of 6% per annum on the capital paid up thereon and the right in a winding up to repayment of capital in priority to the holders of both the second preference and ordinary shares.

The Second Preference shares confer the right to a fixed cumulative dividend at the rate of 6.5% per annum on capital paid up thereon out of profits remaining after paying the dividend on the 6% preference shares and the right in winding up to a repayment of capital and arrears of dividend (whether declared or not) up to the commencement of the winding up, in priority to the ordinary shares, but subject to the preference shares, but to no further right to participate in profits or assets.

9 Reconciliation of movement in shareholders' funds

	Share capital £'000	Profit and loss account £'000	Total 2005 £'000	Total 2004 £'000
(Loss)/ profit for the financial year	-	(11)	(11)	113
At start of year	925	616	1,541	1,428
At end of year	925	605	1,530	1,541

Notes *(continued)*

10 Contingent liabilities

The Directors have not been notified of any litigation, which they consider will result in a material liability to the Company, either individually or in aggregate.

11 Ultimate parent company and parent undertaking of larger group of which the Company is a member

Following the solvent recapitalisation of the Group on 24 November 2005, the Directors, now regard Starman Hotel Holdings LLC, a company incorporated in the United States of America, as the ultimate controlling party and ultimate parent entity.

The results of the Company are included in the consolidated financial statements of Newgate Capital Limited for the year ended 31 December 2004, which are available to the public and may be obtained from Starman UK Services Company Limited, Hesketh House, 43-45 Portman Square, London W1H 6HN.

The immediate parent undertaking is Starman Streck Limited (formerly Meridien Streck Limited), a company incorporated and registered in England and Wales.

12 Post balance sheet events

On 3 November 2005, as part of the internal restructuring of the Group, Zoe Acquisition Company I Limited (formerly Meridien Acquisition Company I Limited) acquired 14.78% of the issued share capital of Sociedade Turistica da Penina S.A. from the Company for £4,787,245. The balance left outstanding on intercompany account has subsequently been assigned to Lehwood Netherlands Holdings BV (formerly Meridien Netherlands Holdings BV). In total Zoe Acquisition Company I Limited acquired 91.06% of the issued share capital of Sociedade Turistica da Penina S.A, *from the Company and its fellow subsidiary undertakings.*