

POST INNS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

REGISTERED NUMBER 42775

YEAR ENDED 31 DECEMBER 2006

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DIRECTORS' REPORT

The Directors present their report and the audited financial statements for Post Inns Limited ("the Company") for the year ended 31 December 2006

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Company does not trade and acts as an investment holding company. There were no significant changes in business during the year.

RESULTS AND DIVIDENDS

The profit for the financial year ended 31 December 2006 was £92,000 (for the 6 months ended 31 December 2005 £3,638,000).

The Directors do not propose the payment of a dividend (for the 6 months ended 31 December 2005 £6,000).

DIRECTORS AND THEIR INTERESTS

The Directors who were appointed and held office during the year and up to date of this report

Iain Ferguson	appointed 7 October 2002 and resigned 5 May 2006
Nicholas Hill	appointed 16 November 2005 and resigned 15 July 2006
Alan Kanders	appointed 14 July 2006 and resigned 6 April 2007
Michael Murphy	appointed 5 May 2006 and resigned 6 April 2007
Blair Campbell	appointed 6 April 2007
Edward Nixon	appointed 6 April 2007

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

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Company made no political or charitable contributions during the year (for the 6 months ended 31 December 2005 £nil).

CHANGE OF ACCOUNTING REFERENCE DATE

The Company changed the accounting reference date from 30 June to 31 of December during ~~2006~~²⁰⁰⁵.

AUDITORS

KPMG Audit Plc resigned as auditors on 30 October 2007 and PricewaterhouseCoopers LLP were appointed to fill a casual vacancy in accordance with section 388(1) of the Companies Act 1985.

PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

DIRECTORS' REPORT (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 judgements 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

AUDITORS AND DISCLOSURES OF INFORMATION TO AUDITORS

The Directors are satisfied that the auditors are aware of all information relevant to the audit of Company's financial statements for the year ended 31 December 2006 and that they have taken all steps that they ought to have taken as directors in order to make them aware of any relevant audit information and to establish that the Company's auditors are aware of that information

By order of the Board



Blair Campbell
Director

Hesketh House
43-45 Portman Square
London
W1H 6HN

3 December 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF POST INNS LIMITED

We have audited the financial statements of Post Inns Limited for the year ended 31 December 2006 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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

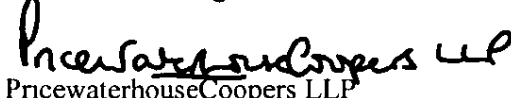
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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.

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year 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.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

3 December 2007

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2006

	NOTE	YEAR ENDED 31 DECEMBER 2006 £'000	SIX MONTHS ENDED 31 DECEMBER 2005 £'000
Gain on disposal of investments	2	-	3,558
Profit on ordinary activities before interest and taxation		-	3,558
Interest receivable and similar income	4	225	91
Interest payable and similar charges	5	(94)	-
Profit on ordinary activities before taxation		131	3,649
Tax on profit on ordinary activities	6	(39)	(5)
Profit on ordinary activities after taxation		92	3,644
Dividends		-	(6)
Profit for the year/period		92	3,638

The profit for the year arises from continuing activities

There is no difference between the profit reported above and the historical cost profit

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

The notes on pages 6 to 10 form part of these financial statements

BALANCE SHEET
AS AT 31 DECEMBER 2006

	NOTE	31 DECEMBER 2006 £'000	31 DECEMBER 2005 £'000
Fixed assets			
Investments	7	769	769
Debtors – amounts falling due after more than one year	8	4,606	-
Current assets			
Debtors - amounts falling due within one year	9	-	4,475
Creditors – amounts falling due within one year	10	(115)	(76)
Net current (liabilities) / assets		(115)	4,399
Net assets		5,260	5,168
Capital and reserves			
Called up share capital	11	925	925
Profit and loss reserve	12	4,335	4,243
Total shareholders' funds		5,260	5,168

These financial statements were approved by the Board of Directors on 3 December 2007 and were signed on its behalf by



Blair Campbell
Director

The notes on pages 6 to 10 form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

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

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention and are in accordance with applicable United Kingdom accounting standards and the Companies Act 1985

The Company is exempt by the virtue of section 228 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

As the Company is a wholly owned subsidiary of Starman Hotel Holdings LLC, it has taken advantage of the exemptions contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities that form part of the group

CASH FLOW STATEMENT

Under Financial Reporting Standard 1 (revised), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that its ultimate parent company includes the Company's cash flows in its own published consolidated financial statements

DEFERRED TAXATION

Deferred tax is recognised in full (without discounting) on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date

INVESTMENTS

Investments acquired with the intention that they will be held for the long term are stated at cost less provision for impairment

FOREIGN EXCHANGE

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities is stated after crediting

	YEAR ENDED 31 DECEMBER 2006 £'000	SIX MONTHS ENDED 31 DECEMBER 2005 £'000
Gain on disposal of investments	-	3,558

The auditors' remuneration was borne by a fellow Starman Group undertaking in both the reporting and prior period

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 31 December 2006 (for the 6 months ended 31 December 2005: £nil).

4 INTEREST RECEIVABLE AND SIMILAR INCOME

	YEAR ENDED 31 DECEMBER 2006 £'000	SIX MONTHS ENDED 31 DECEMBER 2005 £'000
Interest receivable	225	-
Foreign exchange gains	-	91
	<u>225</u>	<u>91</u>

5 INTEREST PAYABLE AND SIMILAR CHARGES

	YEAR ENDED 31 DECEMBER 2006 £'000	SIX MONTHS ENDED 31 DECEMBER 2005 £'000
Foreign exchange losses	(94)	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 TAXATION

	YEAR ENDED 31 DECEMBER 2006 £'000	SIX MONTHS ENDED 31 DECEMBER 2005 £'000
UK corporation tax at 30%	39	5

FACTORS AFFECTING TAX CHARGE FOR THE PERIOD

The total current tax shown above is different to the amount calculated by applying the standard UK corporation tax of 30% (2005 30%) to the profit before tax

	YEAR ENDED 31 DECEMBER 2006 £'000	SIX MONTHS ENDED 31 DECEMBER 2005 £'000
Current tax reconciliation		
Profit on ordinary activities before tax	131	3,649
Profit on ordinary activities multiplied by standard rate of corporation tax (30%)	39	1,095
Effects of:		
Non taxable income	-	(1,067)
Current period – Group relief	-	(23)
Total current tax charges	39	5

7 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

£'000

At 1 January 2006 and 31 December 2006 769

INVESTMENTS HELD	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITY	% OF SHARES HELD
Carpeta Center Comercio Interncional e Servicos Lda	Portugal	Investment holding company	16.23% ordinary shares
Sociedade Hoteleira Sao Lourenco Lda	Portugal	Investment holding company	0.015% ordinary shares

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 DEBTORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 DECEMBER 2006	31 DECEMBER 2005
	£'000	£'000
Amounts owed by Starman Group undertakings	4,606	-
Amounts owed by Starman Group undertakings (2005 nil) are unsecured and subject to the interest rate of 5%		

9 DEBTORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 DECEMBER 2006	31 DECEMBER 2005
	£'000	£'000
Amounts owed by Starman Group undertakings	-	4,475
Amounts owed by Starman Group undertakings were unsecured and interest free		

10 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 DECEMBER 2006	31 DECEMBER 2005
	£'000	£'000
Dividends payable	66	66
UK corporation tax	49	10
	115	76

11 CALLED UP SHARE CAPITAL

	31 DECEMBER 2006	31 DECEMBER 2005
	£'000	£'000
AUTHORISED		
800,000 ordinary shares of £1 each	800	800
100,000 6% cumulative preference shares of £1 each	100	100
100,000 6 5% cumulative second preference shares of £1 each	100	100
	1,000	1,000
ALLOTTED, CALLED UP AND FULLY PAID		
725,000 ordinary shares of £1 each	725	725
100,000 6% cumulative preference shares of £1 each	100	100
100,000 6 5% cumulative second preference shares of £1 each	100	100
	925	925

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 PROFIT AND LOSS RESERVE

	2006
	£'000
At 1 January 2006	4,243
Profit for the financial year	<u>92</u>
At 31 December 2006	<u>4,335</u>

13 ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is Starman Streck Limited incorporated and registered in the United Kingdom

Following the solvent recapitalisation of the Starman 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. Starman Hotel Holdings LLC is the largest and smallest group which consolidates the Company's accounts. The address from which copies of the parent company's accounts can be obtained is as follows:

Starman UK Services Company Limited
 Hesketh House, 43-45 Portman Square
 London, W1H 6HN