

Starman Piccadilly Limited
(formerly known as Le Meridien Piccadilly
Limited)

Directors' report and financial statements

Registered number SC 074783

Year ended 31 December 2005

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Directors' report

The directors present their annual report and audited financial statements for Starman Piccadilly Limited (previously called Le Meridien Piccadilly Limited) ("the Company") for the year ended 31 December 2005

Principal activities

The Company owns a prestige hotel called "Le Meridien Piccadilly" in London

Change of Name

On 30 March 2006, the Company changed its name from "Le Meridien Piccadilly Limited" to "Starman Piccadilly Limited"

Trading results and dividends

The loss on ordinary activities for the year before taxation was £26,632,068 (2004 profit of £1,504,805)

The directors do not recommend the payment of a dividend (2004 £ nil)

Directors and directors' interests

The directors who were appointed and held office during the year and up to date of signing these accounts were as follows

R E Riley	resigned 24 November 2005
I D Ferguson	resigned 5 May 2006
N L Hill	appointed 16 November 2005 and resigned 14 July 2006
A Kanders	appointed 15 July 2006

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 director's interests, no rights to subscribe for shares in or debentures of group companies were granted to any of the directors or their immediate families, or exercised by them during the financial year

Going Concern

The directors believe that there are sufficient funds for issuing financial statements prepared on the going concern basis as disclosed more fully in note 1, basis of preparation

Political and charitable contributions

The Company made no political or charitable contributions during the year or the prior year

Disabled employees

The Company's policy and practice is to encourage employment applications from all sections of the community including disabled people and to support and assist retention through training, development and career progression

Creditor payment policy

The Company's policy and practice regarding the payment of creditors is to pay in accordance with the agreed supplier terms, provided that the relevant invoice is presented in a timely fashion and is completed. It is the Company's ongoing policy to settle the terms of payments with those suppliers when agreeing the terms of each transaction

Elective resolutions

The Company has passed elective resolutions to dispense with the laying of the annual report and accounts before the Company in general meeting, the appointment of the auditors annually and the holding of annual general meetings, pursuant to sections 252, 386 and 366A respectively of the Companies Act 1985

Auditors

PricewaterhouseCoopers LLP will be appointed as auditors for the year ending 31 December 2006

By order of the board

20 December 2006

A handwritten signature in black ink, appearing to read 'A Kanders', with a stylized flourish at the end.

Alan Kanders
Director

50 Lothian Road
Festival Square
Edinburgh EH3 9WJ

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 Starman Piccadilly Limited

We have audited the financial statements Starman Piccadilly Limited for the year ended 31 December 2005 which comprise the Profit and loss account, the Balance sheet, Statement of recognised gains and losses, Note of historical cost profits and losses 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 3, the company directors are responsible for 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 other transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board (UK and Ireland). 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 in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 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

KPMG Audit Plc
Chartered Accountants
Registered Auditor

20 December 2006
PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Profit and loss account
for the year ended 31 December 2005

	Note	2005 £	2004 £
Turnover	2	18,507,896	17,476,668
Cost of sales		<u>(6,755,687)</u>	<u>(6,152,236)</u>
Gross profit		11,752,209	11,324,432
Administrative expenses		(10,955,372)	(10,364,818)
Other operating income	3	<u>454,378</u>	<u>311,063</u>
Operating profit	4	1,251,215	1,270,677
Interest receivable and similar income		191,264	247,606
Interest payable and similar charges (includes an exceptional finance charge of £27,757,607 (see Note 5))		<u>(28,074,547)</u>	<u>(13,478)</u>
(Loss)/profit on ordinary activities before tax		(26,632,068)	1,504,805
Tax on (loss)/profit on ordinary activities	8	<u>2,760</u>	<u>(691,375)</u>
(Loss)/profit on ordinary activities after tax and retained (loss)/profit for the year	16	<u>(26,629,308)</u>	<u>813,430</u>

The notes on pages 8 to 16 form part of the annual financial statements

The (loss)/profit for the current and prior years arise from continuing activities and a restructuring of the business in the current period

There is no difference between the (loss)/profit reported above and the historical cost result

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

Balance sheet
at 31 December 2005

	<i>Note</i>	2005		2004	
		£	£	£	£
Fixed assets					
Tangible assets	9	50,012,309		49,989,132	
Current assets					
Stocks	10	90,002		83,379	
Debtors	11	3,250,009		7,785,353	
Cash		<u>7,115,624</u>		<u>7,868,732</u>	
		10,455,635		7,868,732	
Creditors amounts falling due within one year	12	<u>(4,940,106)</u>		<u>(20,546,035)</u>	
Net current assets/(liabilities)		<u>5,515,529</u>		<u>(12,677,303)</u>	
Total assets less current liabilities		55,527,838		37,311,829	
Interest bearing liabilities	13	(44,929,317)			
Provision for liabilities and charges	14	<u>(1,196,000)</u>		<u>(1,280,000)</u>	
Net assets		<u>9,402,521</u>		<u>36,031,829</u>	
Capital and reserves					
Called up share capital	15	9,189,177		9,189,177	
Revaluation reserve	16	36,791,464		36,791,464	
Profit and loss account	16	<u>(36,578,120)</u>		<u>(9,948,812)</u>	
Total shareholder funds		<u>9,402,521</u>		<u>36,031,829</u>	

The notes on pages 8 to 16 form part of these financial statements

These financial statements were approved by the board of directors on 20 December 2006 and were signed on its behalf by



Alan Kanders
 Director

Statement of total recognised gains and losses
for year ended 31 December 2005

	2005 £	2004 £
(Loss)/profit for the financial year	(26,629,308)	813,430
Unrealised deficit on revaluation of properties		
Total recognised gains and losses relating to the financial year	(26,629,308)	813,430

Note of historical cost profits and losses
for year ended 31 December 2005

	2005 £	2004 £
Reported (loss)/ profit on ordinary activities before taxation	(26,632,068)	1,504,805
Difference between historical cost depreciation and the actual depreciation charge	(254,416)	(262,152)
Historical cost (loss)/profit on ordinary activities before taxation	(26,886,484)	1,242,653
Historical cost (loss)/profit after taxation and retained profit	(26,883,724)	551,278

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

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

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

Turnover

Turnover represents sales to outside customers at invoiced amount less Value Added Tax

Tangible fixed assets

Fixed assets are stated at cost or subsequent revaluation less depreciation and any provision for impairment

Assets are depreciated to their residual values on a straight line basis over their estimated useful economic lives as follows

Leasehold improvements	Equal annual instalments over the life of the lease
Plant and machinery	8% per annum
Furniture, fixtures and equipment	14% per annum
Office equipment	25% per annum

Stocks

Stocks are valued at the lower of cost and net realisable value

Deferred 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

Deferred taxation is recognised without discounting in respect of all timing differences which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19

Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the 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 (continued)

1 Statement of accounting policies (continued)

Leased assets

Operating lease rentals are charged to the profit and loss account on a straight line basis over the term of the lease

Pension costs

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contribution payable to the scheme in respect of the accounting period.

2 Turnover and result

The Company has a single class of business and operates in a single geographical region, the United Kingdom.

3 Other operating income

	2005 £	2004 £
Profit on exchange	8,689	9,609
Other	445,689	301,454
	<u>454,378</u>	<u>311,063</u>

4 Operating (loss)/profit

Operating (loss)/profit is stated after charging

	2005 £	2004 £
Depreciation on owned assets	964,950	959,846
Auditor's remuneration		
audit services	15,900	15,000
non audit services		4,000
Operating lease rentals		
property rent payable	2,620,127	2,886,835
plant and machinery	<u>10,363</u>	<u>36,242</u>

Notes (continued)

5 Exceptional finance charge

Within interest payable and similar charges is an exceptional loss of £27.8m. Of the balance, £26.5m resulted from a waiver of an inter company receivable owing from Zoe Acquisition Company 1 Limited, which arose from a series of group restructuring transactions. During November 2005, the company entered into separate Novation Agreements with Zoe Acquisition Company 1 Limited and the then existing lenders to the Newgate Capital Limited Group. As a result, Zoe Acquisition Company 1 Limited novated £26.5m of its senior debt obligations to the company in exchange for inter company receivables from Zoe Acquisition Company 1 Limited of £26.5m. Subsequently, the inter company receivable of £26.5m was written off to the profit and loss account to release the company from the cross guarantee obligations it was subject to as part of the Newgate Capital Limited Group.

The remaining £1.3m (2004: nil) relates to borrowing transaction costs expensed for the £44.6m interest bearing loan (refer note 13).

6 Employees

The average monthly number of employees, including directors, during the year was as follows:

	2005 Number	2004 Number
Office and management	21	24
Hotel operating staff	216	200
	<u>237</u>	<u>224</u>
	2005 £	2004 £
Wages and salaries	4,037,548	3,669,080
Social security costs	290,779	290,127
Other pension costs	36,580	47,235
	<u>4,364,907</u>	<u>4,006,442</u>

7 Directors' emoluments

The directors did not receive any emoluments in respect of their services to the Company (2004: £ nil).

Notes (continued)

8 Taxation

Analysis of charge/ (credit) in the year

	2005 £	2004 £
<i>UK corporation tax</i>		
Group relief (repayable) / payable at 30%	(2,425)	505,640
Adjustments to tax charge in respect of previous periods		
Group relief (receivable)/payable	(380,687)	699,482
Corporation tax charge/(credit)	464,352	(403,747)
Total current tax charge	81,240	801,375
<i>Deferred tax</i>		
Reversal of timing differences	(84,000)	(110,000)
Tax on (loss)/profit on ordinary activities	2,760	(691,375)

Factors affecting the tax charge for the current year

The current tax charge for the year was higher (2004 higher) than the standard rate of corporation tax in the UK 30%, (2004 30%) The difference is explained below

	2005 £	2004 £
Current tax reconciliation		
(Loss)/profit on ordinary activities before tax	(26,632,068)	1,504,805
Current tax at 30% (2004 30%)	(7,989,620)	451,442
Effects of:		
Adjustment to tax charge in respect of previous periods		
Group relief	(380,687)	699,482
Corporation tax	464,352	(403,747)
Capital allowances in excess of depreciation	(498,813)	(76,362)
Other short term timing differences		148,484
Expenses not deductible for tax purposes	8,464,510	151,580
Adjustment to tax charge in respect of current period Group relief	21,498	
Utilisation of brought forward tax losses		(169,504)
Total current tax charge (see above)	81,240	801,375

Notes *(continued)*

9 Tangible fixed assets

	Long leasehold Improvements	Plant and Machinery	Furniture, fittings and equipment	Total
	£	£	£	£
Cost or valuation				
As at 1 January 2005	46,130,000	3,327,775	1,444,808	50,902,583
Disposals		(55,225)	(231,055)	(286,280)
Additions	282,346	434,724	271,057	988,127
As at 31 December 2005	<u>46,412,346</u>	<u>3,707,274</u>	<u>1,484,810</u>	<u>51,604,430</u>
Depreciation				
As at 1 January 2005	542,724	262,335	108,392	913,451
Disposals		(55,225)	(231,055)	(286,280)
Charge for the Year	546,526	283,609	134,815	964,950
As at 31 December 2005	<u>1,089,250</u>	<u>490,719</u>	<u>12,152</u>	<u>1,592,121</u>
Net book value				
At 31 December 2005	<u>45,323,096</u>	<u>3,216,555</u>	<u>1,472,658</u>	<u>50,012,309</u>
At 31 December 2004	<u>45,587,276</u>	<u>3,065,440</u>	<u>1,336,416</u>	<u>49,989,132</u>

The carrying amounts that would have been included had fixed assets been included at historical cost less depreciation are as follows

	Long leasehold Improvements	Plant and Machinery	Furniture, fittings and equipment	Total
	£	£	£	£
Historical cost net book value				
At 31 December 2005	9,881,513	2,079,938	1,836,668	13,798,119
At 31 December 2004	9,727,496	1,967,448	2,844,957	14,539,901

Notes (continued)

10 Stocks

	2005 £	2004 £
Goods held for resale	19,835	12,413
Consumable items in store	70,167	70,966
	<u>90,002</u>	<u>83,379</u>

11 Debtors: due within one year

	2005 £	2004 £
Trade debtors	1,136,573	1,335,251
Other debtors	197,650	239,323
Prepayments and accrued income	267,293	378,844
Corporation tax recoverable	2,425	464,352
Amounts owed by other group undertakings	1,646,068	5,367,583
	<u>3,250,009</u>	<u>7,785,353</u>

12 Creditors: amounts falling due within one year

	2005 £	2004 £
Bank overdraft		279,886
Trade creditors	149,791	145,679
Amounts owed to other group undertakings	2,379,222	17,490,448
Other taxation and social security	654,444	715,015
Other creditors	279,232	205,327
Accruals and deferred income	1,477,417	1,328,993
Group relief payable		380,687
	<u>4,940,106</u>	<u>20,546,035</u>

Notes *(continued)*

13 Interest bearing liabilities: greater than one year

	2005 £	2004 £
Loan – refinanced debt	44,625,000	
Interest payable	304,317	
	<u>44,929,317</u>	

Total Debt	Amount Covered By Swaps	Period From	Period To	Amount Covered By Caps	Period From	Period To
£	£	2005	2008	£	2008	2010
44,625,000	44,625,000	23 November	20 October	44,060,625	20 October	20 January

The first instalment of this loan is due on 25 November 2007 to Deutsche Bank AG

The Company adopts a policy of ensuring the 100% of its exposure to changes in interest rates on borrowings is on a fixed rate basis in the short term (1 3 years) and on a capped rate basis for the remaining life of each loan. This is in line with the obligations placed on the Company under the lending documents. Interest rate Swaps and Caps, denominated in GBP, have been entered into to achieve an appropriate mix of fixed and floating rate exposure over the life of the loans within the Group's policy. The swaps mature over the next three years and the Caps replace the Swaps when they expire for the life of the applicable loans. The fixed Swap rates range from 2.69% to 4.837% and the Cap rates range from 3.5% to 4.75%. At 31 December 2005, the Company was unhedged as the Swaps did not start until 20 January 2006 when the Company became fully hedged.

14 Provision for liabilities and charges

	Deferred taxation £
At beginning of year	1,280,000
Net credit to profit and loss	<u>(84,000)</u>
At end of year	<u>1,196,000</u>

The elements of deferred taxation are as follows

	2005 £	2004 £
Difference between accumulated depreciation and amortisation and capital allowances	1,196,000	1,497,000
Other short term timing differences		<u>(217,000)</u>
	<u>1,835,000</u>	<u>1,280,000</u>

Notes *(continued)*

15 Called up share capital

	2005 £	2004 £
Authorised		
820,000 ordinary shares of £1 each	820,000	820,000
9,180,000 deferred shares of £1 each	9,180,000	9,180,000
	<u>10,000,000</u>	<u>10,000,000</u>
Issued, allotted and fully paid		
9,177 ordinary shares of £1 each	9,177	9,177
9,180,000 deferred shares of £1 each	9,180,000	9,180,000
	<u>9,189,177</u>	<u>9,189,177</u>

Only ordinary shareholders hold the right to dividends and voting in general meetings. On a winding up, ordinary shareholders take preference over deferred shareholders.

16 Reconciliation of movements in shareholders' funds

	Share Capital	Revaluation Reserve	Profit and loss account	Total 2005	Total 2004
	£	£	£	£	£
At beginning of year	9,189,177	36,791,464	(9,948,812)	36,031,829	35,218,399
Realised (loss)/profit for the year			(26,629,308)	(26,629,308)	813,430
At end of year	<u>9,189,177</u>	<u>36,791,464</u>	<u>(36,578,120)</u>	<u>9,402,521</u>	<u>36,031,829</u>
Equity				222,521	26,851,829
Non equity				<u>9,180,000</u>	<u>9,180,000</u>
				<u>9,402,521</u>	<u>36,031,829</u>

17 Pensions

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £36,670 (2004 £47,235). £3,089 contributions were accrued for at the period end (2004 £16,558).

Notes (continued)

18 Commitments under operating leases

As at 31 December 2005, the Company had annual commitments under non cancellable operating leases expiring as set out below

	31 December 2005		31 December 2004	
	Land and Buildings	Plant and Machinery	Land and Buildings	Plant and Machinery
	£	£	£	£
Operating leases which expire				
Within one year		9,212		17,813
In two to five years		1,151		18,429
After five years	2,620,127		2,886,835	
	2,620,127	10,363	2,886,835	36,242

19 Contingent liabilities

The directors have not been notified of any litigation that they consider will result in a material liability to the company, either individually or in aggregate

20 Related party transactions

As 100% of the Company's voting rights are controlled within the group headed by Leewood Netherlands Holdings BV, the Company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group, headed by Leewood Netherlands Holdings BV

21 Ultimate parent and controlling company and parent undertaking of largest and smallest group of which the company is a member

The Directors regard Starman Hotel Holdings LLC, a company incorporated in the United States of America, as the ultimate controlling party and ultimate parent entity

The immediate parent undertaking is Leewood Netherlands Holdings BV, a company incorporated and registered in the Netherlands

The only group in which the results of the Company are consolidated is that headed by Leewood Netherlands Holdings BV, the consolidated accounts of which will be available to the public and may be obtained from Starman UK Services Company Limited, Hesketh House, 43-45 Portman Square London, W1H 6HN