

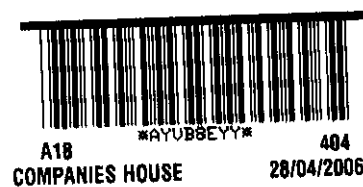


Registered number: 3669273

The Connaught Hotel Limited

Directors' report and financial statements

18 months ended 30 June 2005





The Connaught Hotel Limited

Directors' report and financial statements

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The Connaught Hotel Limited

Directors and other information

Directors	Malcolm France Geraldine McKenna Mark Hennebry
Secretary	Malcolm France
Registered office	30 Old Burlington Street Mayfair London W1S 3AR
Bankers	Barclays Bank plc Retail and Leisure Team 4 th Floor 40 Pall Mall London SW1Y 5AX
Auditors	KPMG Chartered Accountants 1 Stokes Place St Stephen's Green Dublin 2
Solicitors	DLA 3 Noble Street London EC2V 7EE



The Connaught Hotel Limited

Directors' report

The directors present their report and the audited financial statements for the 18 months ended 30 June 2005.

Activities

The principal activity of the company is the ownership and operation of The Connaught Hotel.

Review of developments and future prospects

On 2 April 2004 100% of the share capital of the company's parent company Westone Hotel Acquisition Company was purchased by Coroin Limited.

The profit for the period before tax is £3.8 million (2003: £2.6 million). The profit and loss account is shown on page 9.

The directors expect that the present activity level will at least be sustained for the foreseeable future.

Dividends

During the period no dividends have been paid or proposed (2003; £ nil).

Directors and their interests

The directors who served during the period were as follows:

J.Z Kukral	Resigned 13 May 2004	
J.D Gray	Resigned 13 May 2004	
J.V Ceriale	Resigned 13 May 2004	
T Barrack Jr	Resigned 13 May 2004	
T.P Dowd	Appointed 06 May 2004	Resigned 30 August 2005
P Donnelly	Appointed 06 May 2004	Resigned 23 March 2005
M.R France	Appointed 29 July 2004	
D.W Allen	Appointed 29 July 2004	Resigned 23 March 2005
G McKenna	Resigned 13 May 2004	Reappointed 05 April 2005
M.Hennebry	Appointed 30 August 2005	

The directors and secretary do not hold any material interests in the shares of the company or any other company in the group.

Employees

The company's policy is to give full and fair consideration to the recruitment of disabled persons having regard to their particular aptitudes and abilities. Appropriate training will be arranged for disabled persons. The company's personnel policies ensure that all its employees are made aware, on a regular basis, of the company's policies, programmes and progress.



The Connaught Hotel Limited

Directors' report *(continued)*

Political and charitable contributions

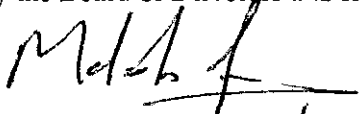
The Company made no political contributions during the period and no donations to charities.

Auditors

The auditors KPMG, were appointed during the period and in accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming annual general meeting.

Approved by the Board of Directors and signed on behalf of the Board

Director


20/4/2006

The Connaught Hotel Limited

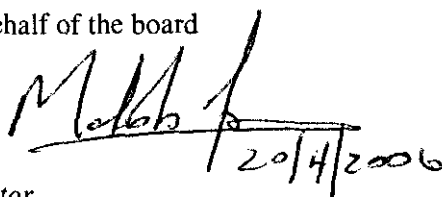
Statement of directors' responsibilities

United Kingdom 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 as at the end of the financial year and of the profit or loss of the company 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 are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



20/4/2006

Director



KPMG
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

Independent auditors' report to the members of The Connaught Hotel Limited

We have audited the financial statements on pages 7 to 20.

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 auditors' 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, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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 for the above period and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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.



Independent auditors' report to the members of The Connaught Hotel Limited
(continued)

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 2005 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

Chartered Accountants
Registered Auditors

21 April 2006



The Connaught Hotel Limited

Statement of accounting policies

for the 18 month period ended 30 June 2005

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements, with the exception of accounting for deferred tax. As detailed in note 5, the company has changed its accounting policy for deferred tax and now provides for deferred tax balances on an undiscounted basis where previously these balances were discounted. The comparative figures have been restated accordingly.

Basis of preparation

The financial statements are prepared in Sterling in accordance with generally accepted accounting principles under the historical cost convention and comply with financial reporting standards of the Accounting Standards Board, as promulgated by the Institute of Chartered Accountants in England and Wales.

Cash flow statement

The Company's ultimate parent undertaking publishes financial statements which are publicly available. Those financial statements include a consolidated cash flow statement. For this reason the exemption requirements of FRS 1 "Cash Flow Statements" are met and the Company has therefore not prepared a cash flow statement.

Group accounts

The Company is exempt from the obligation to prepare consolidated accounts by virtue of S228 of the Companies Act 1985 in that it is a wholly owned subsidiary of its ultimate parent and controlling undertaking which itself prepares group accounts which are publicly available. These financial statements are therefore entity financial statements and are not consolidated financial statements.

Turnover

Turnover represents income from hotel and restaurant operations, excludes value added tax and is recognised on provision of the related service. Turnover is derived solely from UK operations.

Interest

Interest charges incurred in financing the restoration of the properties are not capitalised. All interest is charged against profits as it arises.

Fixed assets

Expenditure on development of the company's hotel and restaurants, including major replacement and improvement of assets, is disclosed as land and buildings, plant, machinery, fixtures and fittings. Land and buildings includes the costs associated with structural improvements to freehold properties. The cost of replacement of glass and china and certain other loose equipment of hotels and restaurants is charged to the profit and loss account in the period in which it is incurred.

The Connaught Hotel Limited

Statement of accounting policies *(continued)* 18 months ended 30 June 2005

Depreciation

Depreciation is not charged on freehold property as the group has a policy and practice of disposing of assets well before the end of their economic lives and the disposal proceeds of similar assets have not been materially less than their carrying amounts.

As a result, on an annual basis the Group estimates the recoverable amount of its hotel properties based on the higher of their net realisable values or the present values of future cash flows expected to result from their use. Where the recoverable amount is less than the carrying amount of the hotel properties the Group recognises an impairment loss in the profit and loss account.

Other fixed assets are stated at cost less accumulated depreciation. No depreciation is charged on archive materials and manuscripts however as they are maintained in good condition and they are expected to have a high residual value.

Depreciation of other tangible assets is provided on a straight-line basis over the following useful lives:

Plant and machinery	between 4 and 20 years
Fixtures and fittings	between 5 and 20 years

Deferred taxation

Deferred taxation is provided in full on an undiscounted basis on timing differences that result in an obligation to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law and on an undiscounted basis. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Stocks

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

Pension and other post retirement benefits

The Company is a participating employer in the Maybourne Hotels Group pension and life insurance scheme, providing benefits based on final pensionable pay. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result the amount charged to the profit and loss accounts represents the contributions payable to the scheme in respect of the accounting period.



The Connaught Hotel Limited

Profit and loss account

for the 18 months ended 30 June 2005

		Period ended 30 June 2005 £'000	Year ended 31 December 2003 £'000 (as restated - note 5)
	<i>Note</i>		
Turnover – continuing operations	1	13,573	7,862
Cost of sales		(3,220)	(1,813)
		<hr/>	<hr/>
Gross profit		10,353	6,049
Administrative expenses		(6,515)	(3,401)
		<hr/>	<hr/>
Operating profit – continuing operations	3	3,838	2,648
		<hr/>	<hr/>
Profit on ordinary activities before taxation		3,838	2,648
Tax credit on profit on ordinary activities	4	155	47
		<hr/>	<hr/>
Profit for the financial period	13	3,993	2,695
		<hr/>	<hr/>

All activities in the current and preceding periods are derived from continuing operations.



The Connaught Hotel Limited

Statement of recognised gains and losses for the 18 months ended 30 June 2005

	Period ended 30 June 2005 £'000	Year ended 31 December 2003 £'000 (as restated - note 5)
Profit for the period	3,993	2,695
Total recognised gains and losses relating to the period	3,993	2,695
Prior period adjustment (see note 5)	(67)	
Total recognised gains and losses since the last financial statements	3,926	



The Connaught Hotel Limited

Balance sheet

At 30 June 2005

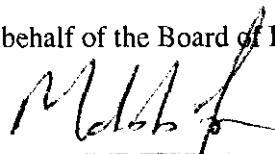
		Period ended 30 June 2005 £'000	Year ended 31 December 2003 £'000 (as restated note 5)
	Note		
Fixed assets			
Tangible assets	6	67,997	67,535
Investments	7	166	166
		<hr/>	<hr/>
		68,163	67,701
		<hr/>	<hr/>
Current assets			
Stocks	8	33	51
Debtors	9	15,141	11,829
Cash at bank and in hand		-	23
		<hr/>	<hr/>
		15,174	11,903
Creditors: amounts falling due within one year	10	(1,845)	(1,950)
		<hr/>	<hr/>
Net current assets		13,329	9,953
		<hr/>	<hr/>
Total assets less current liabilities		81,492	77,654
		<hr/>	<hr/>
Provision for liabilities and charges			
Deferred taxation	11	(75)	(230)
		<hr/>	<hr/>
Net Assets		81,417	77,424
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	12	150	150
Share premium account	13	70,846	70,846
Profit and loss account	13	10,421	6,428
		<hr/>	<hr/>
Equity shareholders' funds		81,417	77,424
		<hr/>	<hr/>

These financial statements were approved by the Board of Directors on

20 April 2006.

Signed on behalf of the Board of Directors

Director


20/4/2006

The Connaught Hotel Limited

Notes

forming part of the financial statements

1 Turnover

	Period Ended 30 June 2005 £'000	Year ended 31 Dec 2003 £'000
Hotel, restaurant and ancillary business receipts	13,573	7,862

All revenue is derived from operations within the UK.

2 Information regarding directors and employees

	Period Ended 30 June 2005 £'000 No.	Year ended 31 Dec 2003 £'000 No.
Average number of persons employed (excluding directors)		
Hotel and administration	96	93
	£'000	£'000
Staff costs during the period (excluding directors)		
Wages and salaries	2,606	1,488
Social security costs	214	129
Pension costs	81	45
	2,901	1,662

The directors receive no remuneration for their services to this company.



The Connaught Hotel Limited

Notes (continued)

3 Operating profit

	Period ended 30 June 2005 £'000	Year ended 31 Dec 2003 £'000
Operating profit is stated after charging:		
Auditors' remuneration – audit services	23	15
Depreciation – owned assets	1,057	747
	<hr/>	<hr/>

4 Tax credit on profit on ordinary activities

	Period ended 30 June 2005 £'000	Year ended 31 Dec 2003 £'000
UK corporation tax for the period at 30% (2003: 30%) based on the profit/loss for the period	-	-
Deferred tax credit		
Timing differences: origination and reversal		
Current period	171	86
Adjustment in respect of prior periods	(16)	(39)
	<hr/>	<hr/>
Tax credit on profit on ordinary activities	155	47
	<hr/>	<hr/>

Factors affecting corporation tax charge for the current period

The corporation tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK of 30% (2003: 30%).

The Connaught Hotel Limited

Notes (continued)

4 Tax credit on profit on ordinary activities (continued)

The differences are explained below:

	Period ended 30 June 2005 £'000	Year ended 31 December 2003 £'000
Profit on ordinary activities before tax	3,838	2,648
Tax at 30% thereon:	1,151	794
Effects of:		
Capital allowances in excess of qualifying depreciation	171	86
Group relief received for nil consideration	(1,418)	(997)
Non qualifying depreciation	91	154
Capitalised tax deductible expenses	-	(38)
Other permanent differences	5	1
	-	-

Deferred tax has not been provided on the difference between the carrying value and the tax basis of fixed assets. This tax will only become payable if the assets are sold and rollover relief is not obtained. The estimated amount of tax that would become payable in these circumstances is £14.2m.

Deferred tax has not been provided in respect of gains realised that have been rolled over into the acquisition cost of replacement assets. This tax will become payable if the replacement assets are sold and further rollover relief is not available. The estimated amount of tax that would become payable in these circumstances is £0.4m.

5 Prior year adjustment

Prior to 1 January 2004, the company's accounting policy was to provide for timing differences that were expected to reverse in the foreseeable future using a discounted cashflow basis. The company's parent was acquired during the current period by Coroin Limited a company incorporated on 2 April 2004. Coroin Limited has adopted an accounting policy of providing for deferred tax balances on an undiscounted basis. For comparability with other group members, the company has changed its accounting policy in line with its ultimate parent undertaking The Connaught Hotel Limited.

This change in policy has been accounted for as a prior period adjustment and previously reported figures have been restated where necessary. The effect has been to decrease the company's opening cumulative reserves at January 2004 by £67,000. The effect on the 2003 profit and loss account was to increase profit in that year by £16,000.

The Connaught Hotel Limited

Notes (continued)

6 Tangible fixed assets

	Long leasehold land and buildings £'000	Short leasehold land and buildings £'000	Assets under the course of construction £'000	Fixtures, fittings, plant and machinery £'000	Total £'000
Cost					
At 1 January 2004	62,748	591	323	11,469	75,131
Additions	24	-	1,268	227	1,519
Reclassifications	-	-	(62)	62	-
At 30 June 2005	62,772	591	1,529	11,758	76,650
Accumulated depreciation					
At 1 January 2004	-	444	-	7,152	7,596
Charge for the period	-	45	-	1,012	1,057
At 30 June 2005	-	489	-	8,164	8,653
Net book value					
At 30 June 2005	62,772	102	1,529	3,594	67,997
At 1 January 2004	62,748	147	323	4,317	67,535

Borrowings of the company's parent, Coroin Ltd, and other group companies, are secured by a fixed and floating charge over the assets of the Company.

7 Investments in subsidiaries

	Period ended 30 June 2005 £'000	Year ended 31 Dec 2003 £'000
At cost and net book value		
At 1 January 2004	166	166
At 30 June 2005	166	166

These subsidiary undertakings are as follows:

The Connaught Hotel Limited

Notes (continued)

7 Investments in subsidiaries (continued)

Subsidiary undertaking	Country of incorporation	Activity	Shareholding
The Connaught Hotel (52242) Limited	Great Britain	Dormant Company	100%
Mount Street Mansions Limited	Great Britain	Dormant Company	100%(indirect)

8 Stocks

	Period ended 30 June 2005 £'000	Year ended 31 December 2003 £'000
Raw materials and consumables	33	51

The directors are of the opinion that the net realisable value of stock is greater than the carrying value.

9 Debtors

	Period ended 30 June 2005 £'000	Year ended 31 December 2003 £'000
Trade debtors	515	359
Amounts owed by group undertakings	14,388	11,317
Prepayments and accrued income	151	102
Other debtors	87	51
	<u>15,141</u>	<u>11,829</u>

The Connaught Hotel Limited

Notes (continued)

10 Creditors: amounts falling due within one year

	Period ended 30 June 2005 £'000	Year ended 31 December 2003 £'000
Bank loans and overdraft	5	81
Trade creditors	353	388
Amounts owed to group undertakings	393	950
Other taxes and social security	397	349
Other creditors	175	37
Accruals and deferred income	522	145
	<hr/>	<hr/>
	1,845	1,950
	<hr/>	<hr/>

11 Deferred tax

	Period ended 30 June 2005 £'000	Year ended 31 December 2003 £'000 (As restated)
Provision at 1 January 2004	(230)	(277)
Credit to the profit and loss account	155	47
	<hr/>	<hr/>
Deferred tax liability at 30 June 2005	(75)	(230)
	<hr/>	<hr/>

	Period ended 30 June 2005 £'000	Year ended 31 December 2003 £'000
Analysis of deferred tax balance		
Capital allowances in excess of depreciation	(75)	(230)
Short term timing differences	-	-
	<hr/>	<hr/>
Provision for deferred tax	(75)	(230)
	<hr/>	<hr/>

The Connaught Hotel Limited

Notes (continued)

12 Called up share capital

	Period ended 30 June 2005 £'000	Year ended 31 December 2003 £'000
Authorised, called up, allotted and fully paid		
1,000,000 "A" ordinary shares of 10p each	100	100
500,000 "B" ordinary shares of 10p each	50	50
	<hr/>	<hr/>
	150	150
	<hr/>	<hr/>

Shares rank equally, except for a dividend and return on capital, where the distribution rights of the "A" shares are 10,000 times those of "B" shares.

13 Reserves

	Share Premium £'000	Profit and loss account £'000	Total £'000
At 1 January 2004 – as previously stated	70,846	6,495	77,341
Prior year adjustment – see note 5	-	(67)	(67)
	<hr/>	<hr/>	<hr/>
	70,846	6,428	77,274
Retained profit for the period	-	3,993	3,993
	<hr/>	<hr/>	<hr/>
At 30 June 2005	70,846	10,421	81,267
	<hr/>	<hr/>	<hr/>

The Connaught Hotel Limited

Notes (continued)

14 Reconciliation of movement in shareholders' funds

	Period ended 30 June 2005 £'000
At 1 January 2004	77,424
Profit for the financial period	3,993
	<hr/>
At 30 June 2005	81,417
	<hr/>

15 Capital commitments

	Period ended 30 June 2005 £'000	Year ended 31 Dec 2003 £'000
Capital commitments (land and buildings):		
Contracted but not provided for in the accounts	15	73
	<hr/>	<hr/>

16 Pensions and similar obligations

The Connaught Hotel Limited is a participating employer in the Maybourne Hotels Group pension and life insurance scheme. The scheme has three sections – staff and senior staff which are defined benefit schemes and directors which is a money purchase scheme. The staff scheme is open to all staff if they meet the eligibility criteria. The company actively encourages staff to join the scheme as it believes that it is an important element of the remuneration package. This is disclosed fully in the consolidated accounts of Coroin Ltd.

The directors are unable to identify The Connaught Hotel Limited's share of the underlying assets and liabilities of the scheme. As a result it is accounted for as a defined contribution scheme. The scheme is currently in deficit and it is expected that contributions will be increased to reduce the deficit. At 30 June 2005 this deficit, calculated in accordance with FRS 17, amounted to £14.5m (31 Dec 2003; £8.2m). Full details of the scheme are disclosed in the accounts of Coroin Limited.



The Connaught Hotel Limited

Notes (*continued*)

17 Related party disclosures

The company is exempt under the provisions of paragraph 3, Financial Reporting Standard 8 "Related Party Disclosures" from disclosing details of transactions with Group related parties.

18 Ultimate parent company

At 30 June 2005, the company's immediate parent company was Westone Hotel Acquisitions Company, an unlimited company incorporated in Great Britain and registered in England and Wales.

Since 2 April 2004 the company's ultimate parent company has been Coroin Limited, a company incorporated in Great Britain and registered in England and Wales. This is the largest group in which the results of the company are consolidated. Copies of those statutory accounts will be available from its registered office, 30 Old Burlington Street, Mayfair, London, W1S 3AR.