

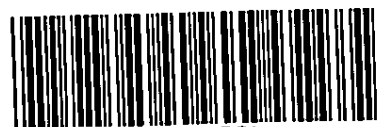
# The Connaught Hotel Limited

Directors' report and financial statements

**For the year ended 30 June 2007**

*Registered number 3669273*

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# The Connaught Hotel Limited

## Directors' report and financial statements

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# The Connaught Hotel Limited

## Directors and other information

<b>Directors</b>	Stephen Alden Clive Gibbons Mark Hennebry Lisa Seelinger
<b>Secretary</b>	Clive Gibbons
<b>Registered office</b>	30 Old Burlington Street Mayfair London W1S 3AR
<b>Bankers</b>	Barclays Bank PLC Business Banking Larger Business 27 <sup>th</sup> Floor 1 Churchill Place E14 5HP
<b>Auditors</b>	KPMG Chartered Accountants 1 Stokes Place St Stephen's Green Dublin 2
<b>Solicitors</b>	DLA 3 Noble Street London EC2V 7EE

# The Connaught Hotel Limited

## Directors' report

The directors present their annual report and audited financial statements for the year ended 30 June 2007

### Activities

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

### Review of developments and future prospects

The profit for the period before tax is £0.3 million (2006: £3.0 million). The profit and loss account is shown on page 9.

On 27 March 2007, the Connaught Hotel closed for refurbishment. As part of the closure fixed assets with a net book value of £841,000 were written off through the profit and loss account. The Hotel reopened in December 2007.

### Business review

The company decreased occupancy to 80% during 2007 (2006: 83%). Revenue per available room (RevPar) for the company increased by £18 to £248. The key risk facing the company's performance for 2008 is a downturn in the global economy.

### Dividends

During the year no dividends have been paid or proposed (2006: £ nil).

### Directors and their interests

On 21 December 2007, S. Edwards resigned as a director. On 13 March 2008, L. Seelinger, was appointed as a director. On 14 March 2008, P. Reynolds resigned as a director.

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*)

### **Creditor payment policy**

The payment policy of the company is to pay all purchases within thirty days of the end of the month. The payment policy applies to all payments to creditors/suppliers for revenue and capital supplies of goods and services without exception.

### **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/ she ought to have taken as a director to make himself/ herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **Political and charitable contributions**

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

### **Auditors**

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



29 April

2008

# The Connaught Hotel Limited

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

The directors are responsible for preparing the directors' report and 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 and applicable law (UK Generally Accepted Accounting Practice)

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 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 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 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 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.

On behalf of the board

Director



29 April

2008

## **Independent auditor's report to the members of The Connaught Hotel Limited**

We have audited the financial statements of The Connaught Hotel Limited for the year ended 30 June 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains 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 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 on page 4, 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 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 or material inconsistencies with the financial statements.

### **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 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.

**Independent auditor's report to the members of The Connaught Hotel Limited**  
(continued)

**Basis of audit opinion (continued)**

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 30 June 2007 and of its profit for the year then ended, and
- the financial statements have been properly prepared in accordance with the companies Act 1985
- the information given in the Directors Report is consistent with the financial statements

KPMG

Chartered Accountants  
Registered Auditor

Dushno 2

29 APRIL 2008



# The Connaught Hotel Limited

## Statement of accounting policies

*for the year ended 30 June 2007*

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 are prepared in accordance with applicable accounting standards under the historical cost accounting rules

### **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 (Revised) "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 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.

### **Stocks**

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

### **Tangible Fixed assets**

Tangible fixed assets are held at cost. 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)*

*For the year ended 30 June 2007*

### **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. 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

### **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 year ended 30 June 2007

		2007 £'000	2006 £'000
	<i>Note</i>		
<b>Turnover – continuing operations</b>	<i>1</i>	<b>7,939</b>	<b>9,788</b>
Cost of sales		<b>(2,264)</b>	<b>(2,236)</b>
		<hr/>	<hr/>
<b>Gross profit</b>		<b>5,675</b>	<b>7,552</b>
Administrative expenses		<b>(4,496)</b>	<b>(4,550)</b>
Loss on write off of tangible fixed asset	<i>4</i>	<b>(841)</b>	<b>-</b>
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	<i>3</i>	<b>338</b>	<b>3,002</b>
Tax credit on profit on ordinary activities	<i>5</i>	<b>961</b>	<b>218</b>
		<hr/>	<hr/>
<b>Profit for the financial year</b>	<i>13/14</i>	<b>1,299</b>	<b>3,220</b>
		<hr/>	<hr/>

The company had no recognised gains or losses in the financial year or in the preceding financial year other than those dealt with in the profit and loss account. All activities in the current and preceding periods are derived from continuing operations.

# The Connaught Hotel Limited

## Balance sheet

At 30 June 2007

	Note	2007 £'000	2006 £'000
<b>Fixed assets</b>			
Tangible assets	6	71,044	68,492
Financial assets	7	166	166
		<hr/>	<hr/>
		71,210	68,658
<b>Current assets</b>			
Stocks	8	-	56
Debtors	9	15,450	17,859
Cash at bank and in hand		15	33
		<hr/>	<hr/>
		15,465	17,948
<b>Creditors: amounts falling due within one year</b>	10	(739)	(1,969)
		<hr/>	<hr/>
<b>Net current assets</b>		14,726	15,979
		<hr/>	<hr/>
<b>Net Assets</b>		85,936	84,637
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	12	150	150
Share premium account	13	70,846	70,846
Profit and loss account	13	14,940	13,641
		<hr/>	<hr/>
<b>Shareholders' funds</b>	14	85,936	84,637
		<hr/>	<hr/>

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors

Director



29 April 2008

# The Connaught Hotel Limited

## Notes

*forming part of the financial statements*

### 1 Turnover

	2007 £'000	2006 £'000
Hotel, restaurant and ancillary business receipts	7,939	9,788

All revenue is derived from operations within the UK

### 2 Information regarding directors and employees

	2007 No.	2006 No
Average number of persons employed (excluding directors)		
Hotel and administration	89	98

	2007 £'000	2006 £'000
<b>Staff costs during the period (excluding directors)</b>		
Wages and salaries	1,882	1,820
Social security costs	159	156
Pension costs	76	79
	2,117	2,055

The directors receive no remuneration for their services to this company

### 3 Operating profit

	2007 £'000	June 2006 £'000
<b>Operating profit is stated after charging:</b>		
Auditors' remuneration – audit services	35	25
Depreciation – owned assets	991	631

# The Connaught Hotel Limited

## Notes (continued)

### 4 Loss on write-off of fixed assets

On 27 March 2007 the Connaught Hotel closed for refurbishments. Assets identified as having no further use were written off.

	2007 £'000
Costs written off (Note 6)	10,585
Accumulated depreciation written off (Note 6)	(9,744)
	<hr/>
Loss on write off of fixed assets	841
	<hr/>

### 5 Tax credit on profit on ordinary activities

	2007 £'000	2006 £'000
UK corporation tax for the period at 30% (2006 30%) based on the profit/loss for the year	-	-
<b>Deferred tax credit</b>		
Timing differences origination and reversal		
Current period	511	150
Adjustment in respect of prior periods	450	68
	<hr/>	<hr/>
<b>Tax credit on profit on ordinary activities</b>	<b>961</b>	<b>218</b>
	<hr/>	<hr/>

During the year changes to UK tax legislation included the abolition of balancing adjustments for industrial buildings allowances. This change has been substantially enacted at the balance sheet date and has been included as an adjustment in respect of prior years within the deferred tax note.

#### Factors affecting corporation tax charge for the current year

The corporation tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the UK of 30% (2006 30%).

# The Connaught Hotel Limited

## Notes (continued)

### 5 Tax credit on profit on ordinary activities (continued)

The differences are explained below

	2007 £'000	2006 £'000
Profit on ordinary activities before tax	338	3,002
Tax at 30% (2006 30%) thereon	101	901
Effects of		
Capital allowances in excess of qualifying depreciation	511	150
Group relief received for nil consideration	(820)	(1,306)
Other permanent differences	208	255
Expenses not deductible for tax purposes	(36)	-
Other – difference in tax rates	36	-
	-	-

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 £12.6 million.

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.

# 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
<b>Cost</b>					
At 1 July 2006	62,772	591	2,655	11,758	77,776
Additions	-	-	4,384	-	4,384
Write-off (Note 4)	-	-	-	(10,585)	(10,585)
<b>At 30 June 2007</b>	<b>62,772</b>	<b>591</b>	<b>7,039</b>	<b>1,173</b>	<b>71,575</b>
<b>Accumulated depreciation</b>					
At 1 July 2006	-	523	-	8,761	9,284
Charge for the year	-	8	-	983	991
Write-off (Note 4)	-	-	-	(9,744)	(9,744)
<b>At 30 June 2007</b>	<b>-</b>	<b>531</b>	<b>-</b>	<b>-</b>	<b>531</b>
<b>Net book value</b>					
<b>At 30 June 2007</b>	<b>62,772</b>	<b>60</b>	<b>7,039</b>	<b>1,173</b>	<b>71,044</b>
At 1 July 2006	62,772	68	2,655	2,997	68,492

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 Financial fixed assets

<b>Investments in subsidiary undertakings</b>	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
<b>At cost and net book value</b>		
At beginning and end of year	166	166



# The Connaught Hotel Limited

## Notes (continued)

### 7 Investments in subsidiaries (continued)

These subsidiary undertakings are as follows

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

	2007 £'000	2006 £'000
Raw materials and consumables	-	56

### 9 Debtors

	2007 £'000	2006 £'000
Trade debtors	104	482
Amounts owed by group undertakings	13,851	17,064
Prepayments and accrued income	192	129
Other debtors	199	41
Deferred tax asset (note 11)	1,104	143
	<b>15,450</b>	<b>17,859</b>

All amounts fall due within one year

# The Connaught Hotel Limited

## Notes (continued)

### 10 Creditors: amounts falling due within one year

	2007 £'000	2006 £'000
Bank loans and overdraft	11	117
Trade creditors	154	403
Amounts owed to group undertakings	27	350
Amount owed to subsidiary undertakings	165	165
Other taxes and social security	27	396
Other creditors	150	289
Accruals and deferred income	205	249
	<hr/>	<hr/>
	739	1,969
	<hr/>	<hr/>

### 11 Deferred tax

	2007 £'000	2006 £'000
<b>Movement in deferred tax provision</b>		
Opening deferred tax asset/(liability)	143	(75)
Credit to the profit and loss account	961	218
	<hr/>	<hr/>
<b>Deferred tax asset at end of year</b>	1,104	143
	<hr/>	<hr/>
<b>Analysis of deferred tax balance</b>	2007 £'000	2006 £'000
Capital allowances in excess of depreciation	1,102	141
Short term timing differences	2	2
	<hr/>	<hr/>
<b>Deferred tax asset</b>	1,104	143
	<hr/>	<hr/>

# The Connaught Hotel Limited

## Notes (continued)

### 12 Called up share capital

	2007 £'000	2006 £'000
<b>Authorised, called up, allotted and fully paid</b>		
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 July 2006	70,846	13,641	84,487
Profit for the year	-	1,299	1,299
	<hr/>	<hr/>	<hr/>
<b>At 30 June 2007</b>	<b>70,846</b>	<b>14,940</b>	<b>85,786</b>
	<hr/>	<hr/>	<hr/>

# The Connaught Hotel Limited

## Notes (continued)

### 14 Reconciliation of movement in shareholders' funds

	2007 £'000	2006 £'000
At start of year	84,637	81,417
Profit for the financial year	1,299	3,220
	<hr/>	<hr/>
At end of year	85,936	84,637
	<hr/>	<hr/>

### 15 Capital commitments

	2007 £'000	2006 £'000
Capital commitments (land and buildings)		
Contracted but not provided for in the accounts	66,657	-
	<hr/>	<hr/>

### 16 Pensions and similar obligations

The Connaught Hotel Limited is a participating employer in two pension schemes. The Maybourne Hotels Group pension and life insurance scheme, a defined benefit scheme, which has two sections – Staff and Senior Staff section was closed to new entrants with effect from 1 August 2006. The Maybourne Stakeholder Scheme, a defined contribution scheme, was introduced on 1 August 2006 and 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 Limited.

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 2007 this deficit, calculated in accordance with FRS 17, amounted to £4.1 million (30 June 2006: £7.8 million). 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**

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