

**BLACKSTONE HOTEL ACQUISITIONS COMPANY**

**Report and Financial Statements**

**For the year ended 31 December 2001**



LD3	*LK4RAFNC*	0389
COMPANIES HOUSE		05/11/02
LD4	*LJLZBFCG*	0024
COMPANIES HOUSE		25/10/02

**REPORT AND FINANCIAL STATEMENTS 2001**

**CONTENTS**

	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Statement of directors' responsibilities</b>	<b>3</b>
<b>Independent auditors' report</b>	<b>4</b>
<b>Consolidated profit and loss account</b>	<b>5</b>
<b>Balance sheets</b>	<b>6</b>
<b>Consolidated cash flow statement</b>	<b>7</b>
<b>Notes to the accounts</b>	<b>8-21</b>

**REPORT AND FINANCIAL STATEMENTS 2001**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

JZ Kukral  
TJ Barrack Jr  
JD Gray  
JV Ceriale

**SECRETARY**

JD Gray

**REGISTERED OFFICE**

1 Savoy Hill  
London  
WC2R 0BP

**AUDITORS**

Deloitte & Touche  
London

**BANKERS**

Barclays Bank PLC  
Retail and leisure Team  
4<sup>th</sup> Floor  
50 Pall Mall  
London  
SW1Y 5AX

**SOLICITORS**

Dipp Lupton Allsop  
3 Noble Street  
London  
EC2V 7EE

## **DIRECTORS' REPORT**

### **ACTIVITIES**

The principal activity of the company is the ownership of hotels and restaurant companies ("the Group").

### **REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS**

The profit for the year before interest, tax and depreciation is £37.42 million. (2000: £55.75 million). The profit and loss account is shown on page 5.

The directors expect that the present activity level will at least be sustained for the foreseeable future in the absence of unforeseen circumstances.

### **DIVIDENDS**

In the year no dividend was paid (2000: £3.62 million) and no dividend is proposed.

### **DIRECTORS AND THEIR INTERESTS**

The directors of the company at 31 December 2001, who have been directors for the whole year are listed below. The directors do not hold any interests in the shares of this or any other UK group company.

JV Ceriale	(United States)
JZ Kukral	(United States)
JD Gray	(United States)
TJ Barrack Jr	(United States)

### **EMPLOYEES**

The Group'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 Group's personnel policies ensure that all its employees are made aware, on a regular basis, of the Group's policies, programmes and progress.

### **AUDITORS**

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.



**J V Ceriale**  
On behalf of the Board

Date: 24/10/ 2002

## 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 and of the Group as at the end of the financial year and of the profit or loss of the Group 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BLACKSTONE HOTEL ACQUISITIONS COMPANY**

We have audited the financial statements of Blackstone Hotel Acquisitions Company for the year ended 31 December 2001 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cashflow statement, and the related notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein.

**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 year 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.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2001 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte Touche*  
**DELOITTE & TOUCHE**  
Chartered Accountants and  
Registered Auditors  
Date *24 October 2002*

**LONDON**

# BLACKSTONE HOTEL ACQUISITIONS COMPANY

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 December 2001

	Note	2001 £'000	2000 £'000
<b>TURNOVER</b>	2	114,326	130,283
Cost of sales		(76,876)	(75,559)
Gross profit		<u>37,450</u>	<u>54,724</u>
Administration expenses		(6,309)	(6,618)
<b>OPERATING PROFIT</b>	4	<u>31,141</u>	<u>48,106</u>
Profit on sale of other fixed assets		-	1,056
Interest receivable and similar income		391	517
Interest payable and similar charges	5	(44,281)	(43,016)
<b>(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>(12,749)</u>	<u>6,663</u>
Tax credit on (loss)/profit on ordinary activities	6	2,096	3,595
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u>(10,653)</u>	<u>10,258</u>
Equity dividends paid	7	-	(3,618)
<b>RETAINED (LOSS) / PROFIT FOR THE YEAR</b>		<u><u>(10,653)</u></u>	<u><u>6,640</u></u>

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

All recognised gains or losses are included in the profit and loss account. Accordingly, no statement of total recognised gains and losses is presented.


# BLACKSTONE HOTEL ACQUISITIONS COMPANY

## BALANCE SHEETS

31 December 2001

	Note	2001 Group £'000	2001 Company £'000	2000 Group £'000	2000 Company £'000
<b>FIXED ASSETS</b>					
Goodwill	9	(14,053)	-	(14,053)	-
Tangible fixed assets	10	629,223	-	610,683	-
Investment in subsidiaries	11	-	584,542	-	584,542
		615,170	584,542	596,630	584,542
<b>CURRENT ASSETS</b>					
Stocks	12	3,093	-	3,720	-
Debtors	13	10,369	34,371	11,653	16,768
Investments		300	-	300	-
Cash at bank and in hand		7,014	100	3,793	100
		20,776	34,471	19,466	16,868
<b>CREDITORS: amounts falling due within one year</b>	14	(42,105)	(19,931)	(36,791)	(14,942)
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		(21,329)	14,540	(17,325)	1,926
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		593,841	599,082	579,305	586,468
<b>CREDITORS: amounts falling due after more than one year</b>	16	(435,556)	(435,556)	(430,347)	(430,324)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	17	(158)	-	(178)	-
<b>NET ASSETS</b>		158,127	163,526	148,780	156,144
<b>CAPITAL AND RESERVES</b>					
Called up share capital	18	160,000	160,000	140,000	140,000
Revaluation reserve		-	16,143	-	16,143
Profit and loss account	19	(1,873)	(12,617)	8,780	1
<b>EQUITY SHAREHOLDERS' FUNDS</b>		158,127	163,526	148,780	156,144

These financial statements were approved by the Board of Directors on 24<sup>th</sup> October 2002.  
Signed on behalf of the Board of Directors



J V Ceriale  
Director



# BLACKSTONE HOTEL ACQUISITIONS COMPANY

## CONSOLIDATED CASH FLOW STATEMENT Year ended 31 December 2001

	Note	2001 £'000	2000 £'000
<b>Net cash inflow from operating activities</b>	23	<u>43,799</u>	<u>58,094</u>
<b>Returns on investments and servicing of finance</b>			
Interest received		358	400
Interest paid		(40,936)	(40,027)
Income from investments		33	117
Interest element of finance leases		-	(35)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<u>(40,545)</u>	<u>(39,545)</u>
<b>Taxation</b>			
Taxation repaid		2,221	742
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(24,999)	(19,726)
Cash received on sale of fixed assets		150	1,318
<b>Net cash outflow from capital expenditure and financial investment</b>		<u>(24,849)</u>	<u>(18,408)</u>
Equity dividends paid		-	(3,618)
<b>Net cash outflow before financing</b>		<u>(19,374)</u>	<u>(2,735)</u>
<b>Financing</b>			
Issue of new share capital		20,000	-
Repayment of loans		(5,810)	(4,626)
Increase in long term borrowings		9,626	8,706
Capital element of finance lease repayment		(376)	(400)
<b>Net cash inflow from financing</b>		<u>23,440</u>	<u>3,680</u>
<b>Increase in cash</b>	25	<u><u>4,066</u></u>	<u><u>945</u></u>

## BLACKSTONE HOTEL ACQUISITIONS COMPANY

### NOTES TO THE ACCOUNTS

Year ended 31 December 2001

#### 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted by the directors are described below.

##### **Basis of accounting and consolidation**

These accounts have been prepared on the historical cost basis of accounting, modified to include the revaluation of certain assets, and in accordance with the Companies Act 1985 and applicable accounting standards in the UK.

The consolidated financial statements incorporate the financial statements of the company and its subsidiary undertakings for the year ended 31 December 2001. The principal accounting policies laid down for the preparation of the accounts have been reviewed and are appropriate to the Group.

##### **Fixed assets**

Expenditure on development of the Group's hotels 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 and long-term leasehold properties. The cost of replacement of glass and china and certain other loose equipment of hotels and restaurants is charged to revenue in the year in which it is incurred.

##### **Depreciation**

Having regard to the high level of expenditure on general maintenance, the long anticipated lives and high residual values of the Group's hotels and restaurants, the resultant amount of any further depreciation on carrying value is not considered to be material. No depreciation is therefore charged on freehold and long-term leasehold properties. Long leaseholds have a lease of more than 50 years remaining.

The appraisal of residual values for each property is based on prices prevailing at the time of the acquisition or subsequent valuation of the property in question. In the event of any impairment in property value below historical cost, provision for impairment is charged to the profit and loss account. The hotels are valued annually by an independent firm of external valuers to give the directors assistance in assessing whether there has been any impairment of the hotel assets.

No depreciation is charged on antiques as they are maintained in good condition and they are expected to have a high residual value.

Short-term leasehold properties are amortised over the period of the lease.

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

Plant and machinery:	between 1 and 25 years
Fixtures and fittings:	between 5 and 15 years

## **BLACKSTONE HOTEL ACQUISITIONS COMPANY**

### **NOTES TO THE ACCOUNTS**

**Year ended 31 December 2001**

#### **1. ACCOUNTING POLICIES - continued**

##### **Turnover**

Turnover excludes value added tax and sales between hotels and restaurants. All turnover is derived from UK operations.

##### **Fixed asset investments**

Investments held as fixed assets are stated at cost or value less any provision for impairment in value.

##### **Interest**

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

##### **Goodwill**

Negative goodwill arising on the acquisition of The Savoy Plc is amortised through the profit and loss account in line with depreciation or provision for impairment applied to freehold and long leasehold properties, or when such properties are sold.

##### **Deferred taxation**

Provision is made for deferred taxation using the liability method on all material timing differences to the extent to which they are expected to reverse in the foreseeable future, calculated at the rate at which it is anticipated that tax will arise.

##### **Exchange rates**

Transactions in foreign currencies are converted at the market rates of exchange on the transactions.

##### **Stocks**

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

##### **Leasing**

Assets acquired under finance leases are included under the relevant category of tangible fixed assets and depreciated accordingly. The capital element of future lease rentals payable is included as appropriate under creditors due within or after more than one year. The interest element of lease rentals is charged to the profit and loss account. Rentals under operating leases are charged to the profit and loss account, as incurred, over the terms of the leases.

## **BLACKSTONE HOTEL ACQUISITIONS COMPANY**

### **NOTES TO THE ACCOUNTS**

**Year ended 31 December 2001**

#### **1. ACCOUNTING POLICIES - continued**

##### **Pension and other post retirement benefits**

Contributions to the Group's pension schemes are charged to the profit and loss account so as to spread the cost of pensions as a substantially level percentage of payroll costs over employees' working lives with the company. The costs of providing post retirement benefits are recognised on an accruals basis.

##### **Investments**

Current asset investments are held at the lower of cost and market value.

# BLACKSTONE HOTEL ACQUISITIONS COMPANY

Year ended 31 December 2001

## 2. TURNOVER

	2001 £'000	2000 £'000
Hotel, restaurant and ancillary business receipts	113,355	129,451
Theatre ticket sales and ancillary services	971	832
	<u>114,326</u>	<u>130,283</u>

## 3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2001 No.	2000 No.
<b>Average monthly number of persons employed</b>		
Hotel and administration	1,664	1,689
	<u>1,664</u>	<u>1,689</u>

	2001 £'000	2000 £'000
<b>Staff costs during the year</b>		
Wages and salaries	28,674	30,039
Social security costs	2,276	2,551
Pension costs	678	627
	<u>31,628</u>	<u>33,217</u>

The directors are remunerated by a company with a financial interest in the ultimate parent company.

A payment of £578,762 (2000: £nil) was made to Blackstone Real Estate Advisors L.P. in respect of consultancy services of J.V.Ceriale.

## 4. OPERATING PROFIT

	2001 £'000	2000 £'000
<b>Operating profit is stated after charging:</b>		
Loss on disposal of fixed assets	30	-
Depreciation	6,279	6,590
Discretionary executive bonus	238	917
Operating leases:		
Land and buildings	324	344
Other assets	130	171
Auditors' remuneration - audit	87	79
Auditors' remuneration - non-audit	153	76

# BLACKSTONE HOTEL ACQUISITIONS COMPANY

Year ended 31 December 2001

5. INTEREST PAYABLE AND SIMILAR CHARGES	2001 £'000	2000 £'000
Bank loans and overdrafts	31,299	31,321
Amortisation of loan issue expenses	1,756	1,779
Other loans	11,215	9,881
Finance leases and hire purchase contracts	11	35
	<u>44,281</u>	<u>43,016</u>

6. TAX CREDIT ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES	2001 £'000	2000 £'000
Current year deferred tax credit	20	3
Prior year deferred tax credit	-	19
Prior year corporation tax credit	2,076	3,573
	<u>2,096</u>	<u>3,595</u>

There is no current year corporation tax charge for the period as the group has generated losses for tax purposes in respect of which no deferred tax has been provided. The prior year tax credit arises as a consequence of the repayment of overpaid corporation tax following the agreement of the Inland Revenue to prior year computations

7. DIVIDENDS	2001 £'000	2000 £'000
Dividends paid	-	3,618
	<u>-</u>	<u>3,618</u>

## 8. LOSS FOR THE FINANCIAL YEAR

The retained loss for the year dealt with in the accounts of the company was £12.6 million (2000: £5.1 million profit). As permitted by Section 230 of the Companies Act 1985, a profit and loss account is not presented for the company.

9. GOODWILL	Group £'000
<b>Negative goodwill</b>	
At 1 January 2001 and 31 December 2001	<u>(14,053)</u>
<b>Net book value</b>	
At 1 January 2001 and 31 December 2001	<u>(14,053)</u>

## BLACKSTONE HOTEL ACQUISITIONS COMPANY

Year ended 31 December 2001

### 10. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	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	Group Total £'000
<b>Cost</b>						
At 1 January 2001	370,650	191,131	414	3,642	57,112	622,949
Reclassification	-	-	-	(439)	439	-
Additions	3,160	332	-	16,242	5,265	24,999
Disposals	(140)	-	-	-	(202)	(342)
<b>At 31 December 2001</b>	<b>373,670</b>	<b>191,463</b>	<b>414</b>	<b>19,445</b>	<b>62,614</b>	<b>647,606</b>
<b>Accumulated depreciation</b>						
At 1 January 2001	-	-	129	-	12,137	12,266
Charge for the year	-	-	30	-	6,249	6,279
Disposals in the year	-	-	-	-	(162)	(162)
<b>At 31 December 2001</b>	<b>-</b>	<b>-</b>	<b>159</b>	<b>-</b>	<b>18,224</b>	<b>18,383</b>
<b>Net book value</b>						
<b>At 31 December 2001</b>	<b>373,670</b>	<b>191,463</b>	<b>255</b>	<b>19,445</b>	<b>44,390</b>	<b>629,223</b>
At 31 December 2000	370,650	191,131	285	3,642	44,975	610,683

All of the hotels in the group were valued by external professional valuers. The directors have considered these valuations in performing the annual impairment review of the hotel assets.

Fixtures, fittings, plant and machinery includes assets held under finance leases with net book value of £nil (2000: £380,756). The depreciation charge for the year on these assets was £380,756 (2000: £311,901).

### 11. INVESTMENT IN SUBSIDIARIES

Company  
£'000

At 1 January 2001 and 31 December 2001

584,542

The investment in subsidiaries was revalued to its net asset values on the restructuring of the Group in January 1999. A list of subsidiary investments is included in note 27. The historical cost of the investment in subsidiaries is £568,399.

### 12. STOCKS

	Group 2001 £'000	Group 2000 £'000
Raw materials and consumables	3,093	3,720

# BLACKSTONE HOTEL ACQUISITIONS COMPANY

Year ended 31 December 2001

## 13. DEBTORS

	Group 2001 £'000	Company 2001 £'000	Group 2000 £'000	Company 2000 £'000
Trade debtors	8,386	-	10,246	-
Other debtors	146	-	304	-
Amounts owed by other group companies	-	34,371	-	16,768
Prepayments and accrued income	1,837	-	1,103	-
	<u>10,369</u>	<u>34,371</u>	<u>11,653</u>	<u>16,768</u>

## 14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2001 £'000	Company 2001 £'000	Group 2000 £'000	Company 2000 £'000
Bank loans and overdrafts (see note 15)	5,600	5,400	6,105	5,060
Obligations under finance leases	23	-	376	-
Trade creditors	10,349	-	7,854	-
Amounts owed to group undertakings	2,808	2,728	2,808	-
Income Tax	145	145	-	-
Other taxes and social security	3,930	-	3,186	-
Other creditors	11,869	11,216	10,579	9,882
Accruals and deferred income	7,381	442	5,883	-
	<u>42,105</u>	<u>19,931</u>	<u>36,791</u>	<u>14,942</u>

## 15. LOANS AND OVERDRAFTS

	Group 2001 £'000	Company 2001 £'000	Group 2000 £'000	Company 2000 £'000
Due within one year	5,600	5,400	6,105	5,060
Due between one and two years	435,556	435,556	5,400	5,400
Due between two and five years	-	-	424,924	424,924
	<u>441,156</u>	<u>440,956</u>	<u>436,429</u>	<u>435,384</u>



## BLACKSTONE HOTEL ACQUISITIONS COMPANY

Year ended 31 December 2001

### 15. LOANS AND OVERDRAFTS - continued

The company has a senior credit facility of £275 million which matures on 30 June 2003. Repayment of the loan is made in quarterly instalments. The interest rate is LIBOR plus 1.125 per cent. The company has a junior credit facility of £100.6 million which matures on 30 June 2003. Repayment of the loan will be made in full on maturity. The interest rate is LIBOR plus 4 per cent. Discussions relating to the renewal of these facilities are currently ongoing.

Concurrently with the signing of these agreements, the company entered into an agreement to hedge its interest rate exposure in respect of an initial notional principal amount of £375.6 million, for a period ending on 30 June 2003. The interest rates for the senior and junior credit facilities were fixed at 7.66 per cent and 10.54 per cent respectively.

During the year an additional loan facility of £20 million was made available to the company. At 31 December 2001 this facility remained unused.

The company entered into a credit agreement in 1998 with BRE/Satellite LP, a limited partnership which owns the Group's ultimate parent company, for £60 million. The loan matures on 31 December 2004 and bears interest at 13.5 per cent. Repayment of the loan will be made in full on maturity. During the year this loan has been extended to allow repayment of the accrued interest on the loan for 2000.

The bank loans are secured by a fixed and floating charge over the Group's assets.

### 16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2001 £'000	Company 2001 £'000	Group 2000 £'000	Company 2000 £'000
Bank loans	346,731	346,731	357,126	357,126
Other loans with related entity	88,825	88,825	73,198	73,198
Obligations under finance leases (due within five years)	-	-	23	-
	<u>435,556</u>	<u>435,556</u>	<u>430,347</u>	<u>430,324</u>

# BLACKSTONE HOTEL ACQUISITIONS COMPANY

Year ended 31 December 2001

## 17. DEFERRED TAX

The potential deferred tax liability is as follows:

Group	Provided		Unprovided	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Capital allowances in advance of depreciation	158	178	13,677	14,953
Rolled over gains	-	-	4,626	4,370
Other timing differences	-	-	(1,613)	(90)
	<u>158</u>	<u>178</u>	<u>16,690</u>	<u>19,233</u>
Company	Provided		Unprovided	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Other timing differences	-	-	(1,563)	-
	<u>-</u>	<u>-</u>	<u>(1,563)</u>	<u>-</u>

The potential deferred tax liability which might arise in the event of the disposal of the Group's properties at the amount at which they are carried in the balance sheet is not quantified as the directors do not consider it will reverse in the foreseeable future since disposal of the properties is not contemplated.

In addition, as disposal is not contemplated, no provision has been made for the tax that would arise if the company sold its shares in its subsidiaries for their revalued amount.

## 18. CALLED UP SHARE CAPITAL

	Group and Company 2001 £'000	Group and Company 2000 £'000
Authorised: 250,000,000 ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>
Called up, allotted and fully paid: 160,000,000 (2000:140,000,000) ordinary shares of £1 each	<u>160,000</u>	<u>140,000</u>

During the year the company issued 20,000,000 ordinary shares to its immediate parent company, BRE/Savoy Acquisition Company, at par value.

# BLACKSTONE HOTEL ACQUISITIONS COMPANY

Year ended 31 December 2001

## 19. PROFIT AND LOSS ACCOUNT

	Group 2001 £'000	Company 2001 £'000	Group 2000 £'000	Company 2000 £'000
At 1 January	8,780	1	2,140	(5,113)
(Loss)/profit for the year	(10,653)	(12,618)	10,258	5,114
Dividends	-	-	(3,618)	-
<b>At 31 December</b>	<b>(1,873)</b>	<b>(12,617)</b>	<b>8,780</b>	<b>1</b>

## 20. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group 2001 £'000	Group 2000 £'000
Profit for the financial year	(10,653)	10,258
Dividend	-	(3,618)
Issue of additional share capital	20,000	-
<b>Net addition to shareholders' funds</b>	<b>9,347</b>	<b>6,640</b>
At 1 January	148,780	142,140
<b>At 31 December</b>	<b>158,127</b>	<b>148,780</b>

## 21. CAPITAL COMMITMENTS

	Group 2001 £'000	Group 2000 £'000
Capital commitments (land and buildings):		
Contracted but not provided in the accounts	9,300	9,719

# **BLACKSTONE HOTEL ACQUISITIONS COMPANY**

**Year ended 31 December 2001**

## **22. OPERATING LEASE COMMITMENTS**

At 31 December 2001 the group was committed to making the following payments during the next year in respect of operating leases:

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Expiring (land and buildings):		
- within one year	38	58
- in two to five years	65	65
- in more than five years	221	221
	<u>324</u>	<u>344</u>
Expiring (other assets):		
- within one year	21	48
- in two to five years	109	123
- in more than five years	4	-
	<u>134</u>	<u>171</u>
Annual commitments under non-cancellable leases	<u><u>458</u></u>	<u><u>515</u></u>

## **23. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH**

	<b>Group</b>	<b>Group</b>
	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Operating profit	31,141	48,106
Depreciation charges	6,279	6,590
Loss on disposal of fixed assets	30	-
Decrease / (Increase) in stock	627	(70)
Decrease in debtors	1,284	1,935
Increase in creditors	4,438	1,533
Net cash inflow from operating activities	<u><u>43,799</u></u>	<u><u>58,094</u></u>

## **24. ANALYSIS OF NET DEBT**

	<b>As at</b>		<b>As at</b>
	<b>1 January</b>		<b>31 December</b>
	<b>2001</b>	<b>Cash flow</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash at bank in hand	3,793	3,221	7,014
Overdrafts	(1,045)	845	(200)
Debt due after one year	(430,324)	(3,476)	(435,556)
Debt due within one year	(5,060)	(340)	(5,400)
Finance leases	(399)	376	(23)
Total	<u><u>(433,035)</u></u>	<u><u>626</u></u>	<u><u>(434,165)</u></u>

## BLACKSTONE HOTEL ACQUISITIONS COMPANY

Year ended 31 December 2001

25. RECONCILIATION OF MOVEMENT IN NET CASH FLOW TO MOVEMENT IN NET DEBT	Group 2001 £'000	Group 2000 £'000
Increase in cash in the year	4,066	945
Cash (inflow) / outflow from increase in debt and lease financing	(3,440)	(3,680)
Amortisation of loan issue expenses	(1,756)	(1,779)
Movement in net debt	(1,130)	(4,514)
Net debt at 1 January	(433,035)	(428,521)
Net debt at 31 December	(434,165)	(433,035)

## 26. PENSIONS AND SIMILAR OBLIGATIONS

The subsidiaries of the Group operate one pension 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 Group actively encourages staff to join the scheme as it believes that it is an important element of the remuneration package.

The pension cost relating to the schemes is assessed in accordance with the advice of an independent qualified actuary using the attained age method. The latest actuarial valuation of those schemes was at 31 March 2000. The assumptions that have the most significant effect on the valuation are those relating to the rate of return on investments and the rates of increase in pension and salaries. It was assumed that the investment return rate would be 5.75% per annum, salary increases would average at 4.75% per annum for senior staff and 4.25% for other staff, and present and future pensions would increase at a rate of 2.75% per annum.

At the date of the latest actuarial valuation, the market value of the assets of the schemes was £35.7million and the actuarial value of the assets was sufficient to cover 106% of the benefits which have accrued to members, after allowing for expected future increases in earnings.

FRS17 is fully effective for periods ending on or after 22 June 2003, though disclosures are required in the transitional period commencing with the year ended 31 December 2001. Initial disclosures showing the assets and liabilities of the major plans is set out below. These have been calculated on the following financial assumptions.

Rate of increase in salaries (Senior/Staff)	3.5%/4%
Rate of increase in deferred pensions	2.50%
Rate of increase for pensions in payment	2.50%
Discount Rate	6.00%
Inflation assumption	2.50%

# BLACKSTONE HOTEL ACQUISITIONS COMPANY

Year ended 31 December 2001

## 26. PENSIONS AND SIMILAR OBLIGATIONS - continued

The assets and liabilities of the pension fund operated by the Group at 31 December 2001 are shown below:

	Long Term expected rate of return at 31/12/2001	Value at at 31/12/2001
Equities (and Property)	7.50%	23,787
Gilts	5%	1,402
Other	5.50%	3,751
Total market value of assets		28,940
Present value of scheme liabilities		(31,992)
Deficit in the scheme		(3,052)
Related deferred tax liability		916
Net pension liability		(2,136)

The figures shown above exclude benefits provided within the scheme on a defined contribution basis and benefits for pensioners which have been secured with an insurance company as in both cases, the assets held precisely match the corresponding liability.

The Group has agreed with the Trustees to pay contributions at the rate of 7.5% of pensionable salaries.

Had the group adopted FRS 17 early, reserves at 31 December 2001 would have been stated as follows:

	2001 £'000
<b>Net Assets</b>	
Net assets excluding pension deficit	158,127
Pension deficit	(2,136)
Net assets including pension deficit	155,991
<b>Reserves</b>	
Profit and loss reserve excluding pension deficit	(1,873)
Pension deficit	(2,136)
Profit and loss reserve including pension deficit	(4,009)

## BLACKSTONE HOTEL ACQUISITIONS COMPANY

Year ended 31 December 2001

### 27. SUBSIDIARY UNDERTAKINGS

Subsidiary undertaking	Country of incorporation and operation	Activity	Shareholding
Claridge's Hotel Ltd	Great Britain	Owens Claridge's Hotel	100% (indirect)
Claridge's Hotel Holdings Ltd	Great Britain	Owens Claridge's Hotel Ltd	100%
The Berkeley Hotel Ltd	Great Britain	Owens Connaught Hotel	100%
The Connaught Hotel Ltd	Great Britain	Owens Berkeley Hotel	100%
The Lygon Arms Hotel Ltd	Great Britain	Owens Lygon Arms Hotel	100%
The Savoy Theatre Ltd	Great Britain	Owens Savoy Theatre	100% (indirect)
The Savoy Theatre Holdings Ltd	Great Britain	Owens The Savoy Theatre Ltd	100%
The Savoy Management Services Ltd	Great Britain	Management Services	100%
The Savoy Hotel Ltd	Great Britain	Owens Savoy Hotel	100%

The above list includes the principle subsidiary undertaking's. A full list of subsidiary undertaking's will be attached to the next annual return.

### 28. RELATED PARTY TRANSACTIONS

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

### 29. ULTIMATE PARENT COMPANY

At 31 December 2001, the company's immediate and ultimate parent company is BRE/Savoy Acquisitions Company, an unlimited 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 these statutory accounts are available from its registered office, 1 Savoy Hill, London, WC2R 0BP.

The company's ultimate controlling party is BRE Satellite L.P.