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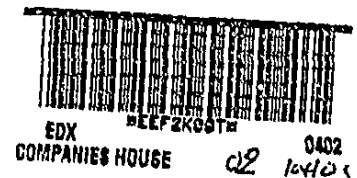
Company Registration No 3543429

**BLACKSTONE HOTEL ACQUISITIONS COMPANY**  
(An unlimited company)

**Report and Financial Statements**

**For the year ended 31 December 2000**

Deloitte & Touche  
Hill House  
1 Little New Street  
London EC4A 3TR



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BLACKSTONE HOTEL ACQUISITIONS COMPANY  
(An unlimited company)

REPORT AND FINANCIAL STATEMENTS 2000

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**BLACKSTONE HOTEL ACQUISITIONS COMPANY**  
(An unlimited company)

**REPORT AND FINANCIAL STATEMENTS 2000**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

JZ Kukral  
TJ Barrack Jr  
JD Gray  
JV Cerialo

**SECRETARY**

JD Gray

**REGISTERED OFFICE**

1 Savoy Hill  
London  
WC2R 0BP

**AUDITORS**

Deloitte & Touche  
Hill House  
1 Little New Street  
London EC4A 3TR

**BLACKSTONE HOTEL ACQUISITIONS COMPANY**  
(An unlimited company)

**DIRECTORS' REPORT**

**ACTIVITIES**

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

**REVIEW OF DEVELOPMENTS**

On 5 January 1999, the Group was restructured such that each hotel was owned by a separate subsidiary.

The profit for the year before interest, tax and depreciation is £ 55.75 million. (1999: £47.80 million) The profit and loss account is shown on page 5.

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

**DIVIDENDS**

In the year a dividend was paid to the amount of £3.62 million (1999: £nil).

**DIRECTORS AND THEIR INTERESTS**

The directors of the company at 31 December 2000, who have been directors for the whole year are listed below. The directors do not hold any interests in the shares of the company or its subsidiaries.

JV Cerialle	(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 Cerialle

On behalf of the Board

26<sup>th</sup> March 2001

BLACKSTONE HOTEL ACQUISITIONS COMPANY  
(An unlimited company)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 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.

BLACKSTONE HOTEL ACQUISITIONS COMPANY  
(An unlimited company)

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 18 which have been prepared under the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 as at 31 December 2000 and of the profit of the company 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 27 March 2001

Hill House  
1 Little New Street  
London EC4A 3TR

**BLACKSTONE HOTEL ACQUISITIONS COMPANY**  
(An unlimited company)

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
Year ended 31 December 2000

	Note	Total 2000 £'000	Continuing operations 1999 £'000	Discontinued operations 1999 £'000	Total 1999 £'000
<b>TURNOVER</b>	2	130,283	120,578	1,717	122,295
Operating costs - recurring	4	(75,559)	(74,573)	(2,258)	(76,831)
Gross profit		<u>54,724</u>	<u>46,005</u>	<u>(541)</u>	<u>45,464</u>
Administration expenses		(6,618)	(6,415)	(12)	(6,427)
<b>OPERATING PROFIT</b>		<u>48,106</u>	<u>39,590</u>	<u>(553)</u>	<u>39,037</u>
Profit on sale of discontinued operations	26	-			2,379
Profit on sale of other fixed assets		1,056			-
Interest receivable and similar income		517			315
Interest payable and similar charges	5	(43,016)			(42,311)
<b>PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>6,663</u>			<u>(580)</u>
Tax credit on profit / (loss) on ordinary activities	6	3,595			754
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u>10,258</u>			<u>174</u>
Equity dividends paid	7	(3,618)			-
<b>RETAINED PROFIT FOR THE PERIOD</b>		<u>6,640</u>			<u>174</u>

All recognised gains or losses are included in the profit and loss account.

**BLACKSTONE HOTEL ACQUISITIONS COMPANY**  
(An unlimited company)

**BALANCE SHEETS**  
31 December 2000

	Note	2000 Group £'000	2000 Company £'000	1999 Group £'000	1999 Company £'000
<b>FIXED ASSETS</b>					
Goodwill	9	(14,053)	-	(14,053)	-
Tangible fixed assets	10	610,683	-	597,809	-
Investment in subsidiary	11	-	584,542	-	584,542
		<u>596,630</u>	<u>584,542</u>	<u>583,756</u>	<u>584,542</u>
<b>CURRENT ASSETS</b>					
Stocks	12	3,720	-	3,650	-
Debtors	13	11,653	16,768	13,980	6,881
Investments		300	-	300	-
Cash at bank and in hand -		3,793	100	2,031	100
		<u>19,466</u>	<u>16,868</u>	<u>19,961</u>	<u>6,981</u>
<b>CREDITORS: amounts falling due within one year</b>	14	(36,791)	(14,942)	(34,360)	(13,851)
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(17,325)</u>	<u>1,926</u>	<u>(14,399)</u>	<u>(6,870)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>579,305</u>	<u>586,468</u>	<u>569,357</u>	<u>577,672</u>
<b>CREDITORS: amounts falling due after more than one year</b>	16	(430,347)	(430,324)	(427,017)	(426,642)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	17	(178)	-	(200)	-
<b>NET ASSETS</b>		<u>148,780</u>	<u>156,144</u>	<u>142,140</u>	<u>151,030</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	18	140,000	140,000	140,000	140,000
Revaluation reserve		-	16,143	-	16,143
Profit and loss account	19	8,780	1	2,140	(5,113)
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>148,780</u>	<u>156,144</u>	<u>142,140</u>	<u>151,030</u>

These financial statements were approved by the Board of Directors on 26th March 2001.

Signed on behalf of the Board of Directors

  
V Cerialo  
Director



BLACKSTONE HOTEL ACQUISITIONS COMPANY  
(An unlimited company)

CONSOLIDATED CASH FLOW STATEMENT  
Year ended 31 December 2000

	Note	2000 £'000	1999 £'000
Net cash inflow from operating activities	23	<u>58,094</u>	<u>46,100</u>
Returns on investments and servicing of finance			
Interest received		400	315
Interest paid		(40,027)	(33,539)
Income from investments		117	-
Interest element of finance leases		(35)	(66)
Net cash outflow from returns on investments and servicing of finance		<u>(39,545)</u>	<u>(33,290)</u>
Taxation			
Taxation repaid		742	(1,406)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(19,726)	(13,781)
Cash received on sale of fixed assets		1,318	331
Net cash outflow from capital expenditure and financial investment		<u>(18,408)</u>	<u>(13,450)</u>
Acquisitions and disposals			
Net sale cost of Laundry Business		-	(253)
		<u>-</u>	<u>(253)</u>
Equity dividends paid		(3,618)	-
Net cash outflow before financing		<u>(2,735)</u>	<u>(2,299)</u>
Financing			
Repayment / advance from parent company		-	(1,386)
Bank and other loans		-	1,235
Repayment of loans		(4,626)	-
Increase in long term borrowings		8,706	-
Capital element of finance lease repayment		(400)	(430)
Net cash inflow / (outflow) from financing		<u>3,680</u>	<u>(581)</u>
Increase / (decrease) in cash	25	<u>945</u>	<u>(2,880)</u>

**BLACKSTONE HOTEL ACQUISITIONS COMPANY**  
(An unlimited company)

**NOTES TO THE ACCOUNTS**  
Year ended 31 December 2000

**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 2000. 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. Hotels are valued by external valuers on a regular basis.

**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 diminution in property value below historical cost, provision is made in 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

**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 less any provision for impairment in value.

**BLACKSTONE HOTEL ACQUISITIONS COMPANY**  
(An unlimited company)

**NOTES TO THE ACCOUNTS**  
Year ended 31 December 2000

**1. ACCOUNTING POLICIES - continued**

**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 will be amortised through the profit and loss account in line with depreciation applied to freehold and long leasehold properties, or when such properties are sold. As discussed above, depreciation is not currently charged on these properties and therefore the negative goodwill balance is not being amortised.

**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.

**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 is recognised on an accruals basis.

**Investments**

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

**BLACKSTONE HOTEL ACQUISITIONS COMPANY**  
(An unlimited company)

**NOTES TO THE ACCOUNTS**  
Year ended 31 December 2000

**2. TURNOVER**

	2000 £'000	1999 £'000
Hotel, restaurant and ancillary business receipts	129,451	121,481
Theatre ticket sales and ancillary services	832	814
	<u>130,283</u>	<u>122,295</u>

**3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

Average monthly number of persons employed	2000 No.	1999 No.
Hotel and administration	1,689	1,642
	<u>1,689</u>	<u>1,642</u>

	2000 £'000	1999 £'000
Staff costs during the year		
Wages and salaries	30,039	29,944
Social security costs	2,551	2,419
Pension costs	627	736
	<u>33,217</u>	<u>33,099</u>

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

**BLACKSTONE HOTEL ACQUISITIONS COMPANY**  
(An unlimited company)

**NOTES TO THE ACCOUNTS**  
Year ended 31 December 2000

**4. OPERATING COSTS**

	2000 £'000	Continuing operations 1999 £'000	Discontinued operations 1999 £'000	Total 1999 £'000
Operating profit is stated after charging:				
Loss on disposal of fixed assets	-	64	-	64
Depreciation	6,590	6,400	12	6,412
Discretionary executive bonus	917	-	-	-
Operating leases:				
Land and buildings	-	-	73	73
Other assets	-	-	17	17
Auditors' remuneration - audit	79	80	-	80
Auditors' remuneration - non-audit	76	84	-	84

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

	2000 £'000	1999 £'000
Bank loans and overdrafts	31,321	31,772
Amortisation of loan issue expenses	1,779	1,767
Other loans	9,881	8,706
Finance leases and hire purchase contracts	35	66
	<u>43,016</u>	<u>42,311</u>

**6. TAX CREDIT ON PROFIT/(LOSS)  
ON ORDINARY ACTIVITIES**

	2000 £'000	1999 £'000
United Kingdom corporation tax credit on profit / (loss) for year at 30.25% (31%)	-	-
Current year deferred tax credit	3	2
Prior year deferred tax credit	19	-
Prior year corporation tax credit	3,573	752
	<u>3,595</u>	<u>754</u>

There is no tax charge for the period primarily as a result of the movement in deferred tax which has not been provided for in the accounts. The prior year tax credit arises as a consequence of the release of prior year provisions following the agreement of the Inland Revenue to certain prior year tax computations for Claridges Hotel Limited.

**7. DIVIDENDS**

	2000 £'000	1999 £'000
Dividends paid	3,618	-
	<u>3,618</u>	<u>-</u>

**8. PROFIT FOR THE FINANCIAL YEAR**

The retained profit for the year dealt with in the accounts of the company was £5.1 million (1999: £4.6 million loss). As permitted by Section 230 of the Companies Act 1985, a profit and loss account is not presented for the company.

**BLACKSTONE HOTEL ACQUISITIONS COMPANY**  
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**NOTES TO THE ACCOUNTS**  
Year ended 31 December 2000

**9. GOODWILL**

	Group £'000
Cost	
At 1 January 2000	(14,053)
At 31 December 2000	<u>(14,053)</u>
Net book value	
At 1 January 2000	(14,053)
At 31 December 2000	<u>(14,053)</u>

**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
Cost						
At 1 January 2000	365,121	189,741	414	921	48,796	604,993
Reclassification	-	-	-	(921)	921	-
Additions	5,529	1,485	-	3,642	9,070	19,726
Disposals	-	(95)	-	-	(1,675)	(1,770)
At 31 December 2000	<u>370,650</u>	<u>191,131</u>	<u>414</u>	<u>3,642</u>	<u>57,112</u>	<u>622,949</u>
Accumulated depreciation						
At 1 January 2000	-	-	97	-	7,087	7,184
Charge for the year	-	-	32	-	6,558	6,590
Disposals in the year	-	-	-	-	(1,508)	(1,508)
At 31 December 2000	<u>-</u>	<u>-</u>	<u>129</u>	<u>-</u>	<u>12,137</u>	<u>12,266</u>
Net book value						
At 31 December 2000	<u>370,650</u>	<u>191,131</u>	<u>285</u>	<u>3,642</u>	<u>44,975</u>	<u>610,683</u>
At 31 December 1999	<u>365,121</u>	<u>189,741</u>	<u>317</u>	<u>921</u>	<u>41,709</u>	<u>597,809</u>

Fixtures, fittings, plant and machinery includes assets held under finance leases with net book value of £380,756 (1999: £693,000). The depreciation charge for the period on these assets was £311,901 (1999: £346,000).

**11. INVESTMENT IN SUBSIDIARIES**

	Company £'000
At 1 January	584,542
At 31 December	<u>584,542</u>

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 are included on note 28. The historic cost of the investment in subsidiaries is £568,399.

**BLACKSTONE HOTEL ACQUISITIONS COMPANY**  
(An unlimited company)

**NOTES TO THE ACCOUNTS**  
Year ended 31 December 2000

**12. STOCKS**

	Group 2000 £'000	Group 1999 £'000
Raw materials and consumables	3,720	3,650

**13. DEBTORS**

	Group 2000 £'000	Company 2000 £'000	Group 1999 £'000	Company 1999 £'000
Trade debtors	10,246	-	8,991	-
Other debtors	304	-	4,049	-
Amounts owed by other group companies	-	16,768	-	-
Group relief receivable	-	-	-	6,881
Prepayments and accrued income	1,103	-	940	-
	11,653	16,768	13,980	6,881

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

	Group 2000 £'000	Company 2000 £'000	Group 1999 £'000	Company 1999 £'000
Bank loans and overdrafts (see note 15)	6,105	5,060	3,111	2,883
Obligations under finance leases	376	-	424	-
Trade creditors	17,736	9,882	14,458	8,706
Amounts owed to parent company	2,808	-	2,281	2,262
Corporation tax	-	-	3,223	-
Other taxes and social security	3,186	-	3,854	-
Other creditors	697	-	822	-
Accruals and deferred income	5,883	-	6,187	-
	36,791	14,942	34,360	13,851

**15. LOANS AND OVERDRAFTS**

	Group 2000 £'000	Company 2000 £'000	Group 1999 £'000	Company 1999 £'000
Due within one year	6,105	5,060	3,111	2,883
Due between one and two years	5,400	5,400	3,336	3,336
Due between two and five years	424,924	424,924	423,306	423,306
Due after more than five years	-	-	-	-
	436,429	435,384	429,753	429,525

**BLACKSTONE HOTEL ACQUISITIONS COMPANY**  
(An unlimited company)

**NOTES TO THE ACCOUNTS**  
Year ended 31 December 2000

**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.

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.

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 1999.

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 2000 £'000	Company 2000 £'000	Group 1999 £'000	Company 1999 £'000
Bank loans	357,126	357,126	362,150	362,150
Other loans with related entity	73,198	73,198	64,492	64,492
Obligations under finance leases (due within five years)	23	-	375	-
	<u>430,347</u>	<u>430,324</u>	<u>427,017</u>	<u>426,642</u>

**17. DEFERRED TAX**

The potential deferred tax liability is as follows:

	PROVIDED		UNPROVIDED	
	Group 2000 £'000	Group 1999 £'000	Group 2000 £'000	Group 1999 £'000
Capital allowances in advance of depreciation	178	200	14,953	12,482
Rolled over gains	-	-	4,370	4,803
Other timing differences	-	-	(90)	(307)
	<u>178</u>	<u>200</u>	<u>19,233</u>	<u>16,978</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.



**BLACKSTONE HOTEL ACQUISITIONS COMPANY**  
(An unlimited company)

**NOTES TO THE ACCOUNTS**  
Year ended 31 December 2000

**18. CALLED UP SHARE CAPITAL**

	Group and Company 2000 £'000	Group and Company 1999 £'000
Authorised: 250,000,000 ordinary shares of £1 each	250,000	250,000
Called up, allotted and fully paid: 140,000,000 ordinary shares of £1 each	140,000	140,000

**19. PROFIT AND LOSS ACCOUNT**

	Group 2000 £'000	Company 2000 £'000	Group 1999 £'000	Company 1999 £'000
At 1 January 2000	2,140	(5,113)	1,966	(560)
Profit/(loss) for the year	10,258	5,114	174	(4,553)
Dividends	(3,618)	-	-	-
At 31 December 2000	8,780	1	2,140	(5,113)

**20. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	Group £'000	Group £'000
Profit for the financial year	10,258	174
Dividend	(3,618)	-
Net addition to shareholders' funds	6,640	174
At 31 December	142,140	141,966
At 31 December	148,780	142,140

**21. CAPITAL COMMITMENTS**

	2000 £'000	1999 £'000
Capital commitments (land and buildings): Contracted but not provided in the accounts	9,719	70

**BLACKSTONE HOTEL ACQUISITIONS COMPANY**  
(An unlimited company)

**NOTES TO THE ACCOUNTS**  
Year ended 31 December 2000

**22. OPERATING LEASE COMMITMENTS**

At 31 December 2000 the company was committed to making the following payments during the next year in respect of operating leases:

	2000 £'000	1999 £'000
Expiring (land and buildings):		
- within one year	58	22
- in two to five years	65	66
- in more than five years	221	221
	<u>344</u>	<u>309</u>
Expiring (other assets):		
- within one year	48	23
- in two to five years	123	184
	<u>171</u>	<u>207</u>
Annual commitments under non-cancellable leases	<u>515</u>	<u>516</u>

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

	Group 2000 Total £'000	1999 Continuing operations £'000	1999 Discontinued operations £'000	Group 1999 Total £'000
Operating profit	48,106	39,590	(553)	39,037
Depreciation charges	6,590	6,400	12	6,412
Loss on disposal of fixed assets	-	64	-	64
(Increase) / decrease in stock	(70)	(494)	48	(446)
Decrease in debtors	1,935	9,360	3	9,363
Increase / (decrease) in creditors	1,533	(8,294)	(36)	(8,330)
Net cash inflow from operating activities	<u>58,094</u>	<u>46,626</u>	<u>(526)</u>	<u>46,100</u>

**24. ANALYSIS OF NET DEBT**

	As at 1 January 2000 £'000	Cash flow £'000	Non cash movements £'000	As at 31 December 2000 £'000
Cash at bank in hand	2,031	1,762	-	3,793
Overdrafts	(228)	(817)	-	(1,045)
Debt due after one year	(426,642)	(1,903)	(1,779)	(430,324)
Debt due within one year	(2,883)	(2,177)	-	(5,060)
Finance leases	(799)	400	-	(399)
Total	<u>(428,521)</u>	<u>(2,735)</u>	<u>(1,779)</u>	<u>(433,035)</u>

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(An unlimited company)

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**25. RECONCILIATION OF MOVEMENT IN NET CASH  
FLOW TO MOVEMENT IN NET DEBT**

	Group 2000 £'000	Group 1999 £'000
Increase / (decrease) in cash in the year	945	(2,380)
Cash (inflow) / outflow from increase in debt and lease financing	(3,680)	962
Amortisation of loan issue expenses	(1,779)	(1,767)
Movement in net debt	(4,514)	(3,685)
Net debt at 1 January	(428,521)	(424,836)
Net debt at 31 December	(433,035)	(428,521)

**26. SALE OF BUSINESS DURING THE PREVIOUS YEAR**

On 24 December 1999 the Group disposed of Savoy Laundry.

The profit on disposal has been calculated as follows:

	Savoy Laundry £'000
Net assets disposed of:	1,321
Profit on disposal	2,379
Proceeds on disposal	<u>3,700</u>
Satisfied by:	
Cash	<u>3,700</u>

**27. 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 1 April 1998. 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 7% per annum, salary increases would average at 5% per annum for senior staff and 4.5% for other staff, and present and future pensions would increase at a rate of 3% per annum.

At the date of the latest actuarial valuation, the market value of the assets of the schemes was £22.9 million and the actuarial value of the assets was sufficient to cover 111% of the benefits which have accrued to members, after allowing for expected future increases in earnings.

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**28. RESTRUCTURING OF THE GROUP**

On 5 January 1999, the Group was restructured so that each hotel is now owned by a separate subsidiary. The Group now has a shareholding in the following principal companies:

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%

**29. 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.

**30. ULTIMATE PARENT COMPANY**

At 31 December 2000, the company's ultimate parent company and controlling party is BRE/Savoy Acquisitions Company (an unlimited company) registered in England and Wales. This is the smallest and largest group in which the company is a member and for which group accounts are prepared. Copies of its statutory accounts will be available from its registered office 1 Savoy Hill, London WC2R 0BP.