

THE BERKELEY HOTEL LIMITED

Report and Financial Statements

For the year ended 31 December 2001



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

REPORT AND FINANCIAL STATEMENTS 2001

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REPORT AND FINANCIAL STATEMENTS 2001

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

JZ Kukral
JD Gray
JV Cerialle
T Barrack Jr

SECRETARY

MR France

REGISTERED OFFICE

1 Savoy Hill
London
WC2R 0BP

AUDITORS

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

BANKERS

Barclays Bank PLC
Retail and leisure Team
4th 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 and operation of The Berkeley Hotel.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The profit for the year before interest, tax and depreciation is £10.6 million (2000: £13.2 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

During the year dividends have been paid to the immediate parent company, Blackstone Hotel Acquisitions Company, to the value of £ 8.7 million (2000: £11.6 million).

DIRECTORS AND THEIR INTERESTS

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

JZ Kukral	(United States)
JD Gray	(United States)
JV Cerialle	(United States)
T Barrack Jr	(United States)

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.

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

Date: 31 July 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 as at the end of the financial year and of the profit and 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; 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 are also responsible for safeguarding the assets of the company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BERKELEY HOTEL LIMITED

We have audited the financial statements of The Berkeley Hotel Ltd for the year ended 31 December 2001 which comprise the profit and loss account and the balance sheet and the related notes 1 to 19. 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.

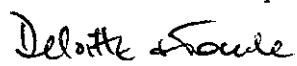
Basis of audit opinion

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 the company's affairs as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


DELOITTE & TOUCHE
Chartered Accountants and
Registered Auditors
Date 5 August 2002

Hill House
1 Little New Street
London EC4A 3TR

THE BERKELEY HOTEL LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2001

	Note	2001 £'000	2000 £'000
TURNOVER	2	24,638	27,680
Cost of sales		(7,589)	(8,207)
Gross profit		<u>17,049</u>	<u>19,473</u>
Administration expenses		(7,534)	(7,846)
OPERATING PROFIT	4	<u>9,515</u>	<u>11,627</u>
Bank interest receivable		43	289
Bank interest payable		(15)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>9,543</u>	<u>11,916</u>
Tax on profit on ordinary activities	5	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR		<u>9,543</u>	<u>11,916</u>
Equity dividends paid	6	(8,700)	(11,600)
RETAINED PROFIT FOR THE YEAR		<u><u>843</u></u>	<u><u>316</u></u>

All activities derive from continuing operations.

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

THE BERKELEY HOTEL LIMITED

BALANCE SHEET
31 December 2001

	Note	2001 £'000	2000 £'000
FIXED ASSETS			
Tangible assets	7	140,881	134,793
		<u>140,881</u>	<u>134,793</u>
CURRENT ASSETS			
Stocks	8	373	421
Debtors	9	1,186	2,910
Cash at bank and in hand		40	38
		<u>1,599</u>	<u>3,369</u>
CREDITORS: amounts falling due within one year	10	(6,451)	(2,976)
NET CURRENT (LIABILITIES)/ASSETS		<u>(4,852)</u>	<u>393</u>
Net assets		<u><u>136,029</u></u>	<u><u>135,186</u></u>
CAPITAL AND RESERVES			
Called up share capital	12	150	150
Share premium account	13	133,586	133,586
Profit and loss account	13	2,293	1,450
Equity shareholders' funds		<u><u>136,029</u></u>	<u><u>135,186</u></u>

These financial statements were approved by the Board of Directors on 31 July 2002

Signed on behalf of the Board of Directors



J V Geriale
Director

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

These accounts have been prepared on the historical cost basis of accounting and in accordance with the Companies Act 1985 and applicable accounting standards in the UK.

The principal accounting policies laid down for the preparation of the accounts have been reviewed and are appropriate to the company.

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 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 company'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 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, a provision for impairment is charged to the profit and loss account. The hotels are valued annually by an independent firm of valuers to give the directors assistance in assessing whether there has been any impairment in value 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.

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

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

1. ACCOUNTING POLICIES (continued)

Turnover

Turnover excludes value added tax and is derived from UK operations.

Interest

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

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.

Stocks

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

Leasing

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 company'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.

THE BERKELEY HOTEL LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

2. TURNOVER

	2001	2000
	£'000	£'000
Hotel, restaurant and ancillary business receipts	24,638	27,680
	<u>24,638</u>	<u>27,680</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2001	2000
	No	No
Monthly average number of persons employed		
Hotel and administration	297	303
	<u>297</u>	<u>303</u>

Staff costs during the year	£'000	£'000
Wages and salaries	4,699	5,022
Social security costs	357	399
Pension costs	96	95
	<u>5,152</u>	<u>5,516</u>

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

4. OPERATING PROFIT

	2001	2000
	£'000	£'000
Operating profit is stated after charging:		
Operating leases:		
Other assets	23	5
Auditors' remuneration - audit services	15	13
Depreciation	<u>1,071</u>	<u>1,566</u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

There is no tax charge for the year as a result of group relief received which has not been paid for.

THE BERKELEY HOTEL LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

6. DIVIDENDS

	2001	2000
	£'000	£'000
Dividends paid to immediate parent company:		
A Shares (1,000,000 shares at 870p per share)	8,700	10,499
B Shares (500,000 shares at 0.02p per share)	-	1
	<u>8,700</u>	<u>10,500</u>
Dividends proposed to immediate parent company:		
A Shares (2000: 1,000,000 shares at 110p per share)	-	1,100
B Shares (2000: 500,000 shares at 0.011p per share)	-	-
	<u>-</u>	<u>1,100</u>

7. TANGIBLE FIXED ASSETS

	Long leasehold land and buildings £'000	Assets under course of construction £'000	Fixtures, fittings, plant and machinery £'000	Total £'000
Cost				
As at 1 January 2001	126,169	631	17,665	144,465
Additions	41	6,740	378	7,159
At 31 December 2001	<u>126,210</u>	<u>7,371</u>	<u>18,043</u>	<u>151,624</u>
Accumulated depreciation				
As at 1 January 2001	-	-	9,672	9,672
Charge for the year	-	-	1,071	1,071
At 31 December 2001	<u>-</u>	<u>-</u>	<u>10,743</u>	<u>10,743</u>
Net book value				
At 31 December 2001	<u>126,210</u>	<u>7,371</u>	<u>7,300</u>	<u>140,881</u>
At 31 December 2000	<u>126,169</u>	<u>631</u>	<u>7,993</u>	<u>134,793</u>

THE BERKELEY HOTEL LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

8. STOCKS

	2001	2000
	£'000	£'000
Raw materials and consumables	373	421

9. DEBTORS

	2001	2000
	£'000	£'000
Trade debtors	830	1,046
Amounts owed to group undertakings	-	1,584
Other debtors	119	136
Prepayments and accrued income	237	144
	1,186	2,910

**10. CREDITORS: AMOUNTS
FALLING DUE WITHIN ONE**

	2001	2000
	£'000	£'000
Bank loans and overdrafts	-	170
Trade creditors	1,030	1,428
Amounts owed from group undertakings	3,443	-
Other taxes and social security	1,303	917
Other creditors	63	26
Accruals and deferred income	612	435
	6,451	2,976

THE BERKELEY HOTEL LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

11. UNPROVIDED DEFERRED TAX

The potential deferred tax liability, which has not been provided in the accounts, is as follows:

	2001 £'000	2000 £'000
Accelerated capital allowances in advance of depreciation	231	602
Rolled over gains	899	899
Other timing differences	(5)	(68)
	<u>1,125</u>	<u>1,433</u>

In addition there would be a tax charge of approximately £30.5m (2000: £30.5m) if the properties held by the company were disposed of at the value at which they are carried in the balance sheet.

12. CALLED UP SHARE CAPITAL

	2001 £'000	2000 £'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
	<u>150</u>	<u>150</u>

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. SHARE PREMIUM ACCOUNT AND RESERVES

	Share premium £'000	Profit and loss account £'000
At 1 January 2001	133,586	1,450
Profit for the period	-	9,543
Dividends	-	(8,700)
At 31 December 2001	<u>133,586</u>	<u>2,293</u>

THE BERKELEY HOTEL LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	£'000
Profit for the financial period	9,543
Dividend	(8,700)
Net addition to shareholders' funds	<u>843</u>
At 31 December 2000	135,186
At 31 December 2001	<u><u>136,029</u></u>

15. CAPITAL COMMITMENTS

	2001	2000
	£'000	£'000
Capital commitments (land and buildings):		
Contracted but not provided for in the accounts	<u>6,000</u>	<u>-</u>

16. OPERATING LEASE COMMITMENTS

	2001	2000
	£'000	£'000
Operating lease commitments:		
Other assets expiring:		
- in two to five years	23	23
	<u>23</u>	<u>23</u>
Annual commitments under non-cancellable leases	<u>23</u>	<u>23</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

17. PENSIONS AND SIMILAR OBLIGATIONS

The Berkeley Hotel Limited is a participating employer in the Savoy 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 Blackstone Hotel Acquisitions Companies.

The directors are unable to identify The Berkeley Hotel Limited's share of the underlying assets and liabilities of the scheme.

The scheme is currently in deficit and it is expected that contributions will be increased to reduce the deficit.

Full details of the scheme are disclosed in the accruals of Blackstone Hotel Acquisition Company.

18. 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.

19. ULTIMATE PARENT COMPANY

At 31 December 2001, the company's immediate parent company was Blackstone Hotel Acquisitions Company, an unlimited company incorporated in Great Britain and registered in England and Wales. This is the smallest group in which the results of the company are consolidated. Copies of those statutory accounts will be available from its registered office, 1 Savoy Hill, London, WC2R 0BP.

The company's ultimate parent company was BRE/Savoy Acquisition 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 those statutory accounts will be available from its registered office, 1 Savoy Hill, London, WC2R 0BP.

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