

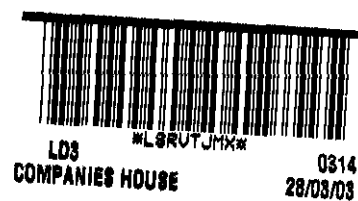
Company Registration No. 3669260

**THE BERKELEY HOTEL LIMITED**

**Report and Financial Statements**

**31 December 2002**

**Deloitte & Touche  
London**



# **THE BERKELEY HOTEL LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2002**

### **CONTENTS**

### **Page**

<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>Profit and loss account</b>	<b>5</b>
<b>Statement of total recognised gains and losses</b>	<b>6</b>
<b>Balance sheet</b>	<b>7</b>
<b>Reconciliation of movements in shareholders funds</b>	<b>8</b>
<b>Notes to the accounts</b>	<b>9</b>

# **THE BERKELEY HOTEL LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2002**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

J Z Kukral  
J D Gray  
J V Ceriale  
T Barrack Jr

#### **SECRETARY**

MR France

#### **REGISTERED OFFICE**

1 Savoy Hill  
London  
WC2R 0BP

#### **BANKERS**

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

#### **SOLICITORS**

DLA  
3 Noble Street  
London  
EC2V 7EE

#### **AUDITORS**

Deloitte & Touche  
Chartered Accountants  
London

# THE BERKELEY HOTEL LIMITED

## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

### 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 £10.3 million (2001: £10.6 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.

### DIVIDENDS

During the year no dividends have been paid or proposed (2001: £8.7 million).

### DIRECTORS AND THEIR INTERESTS

The directors of the company at 31 December 2002, 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.

J Z Kukral (United States)

J D Gray (United States)

J V Ceriale (United States)

T Barrack Jr (United States)

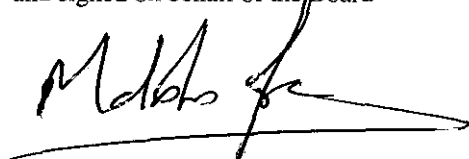
### EMPLOYEES

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.

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



MR France  
Secretary

26 March 2003

# **THE BERKELEY HOTEL LIMITED**

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; 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 the system of internal control, safeguarding the assets of the company and hence for 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 Limited for the year ended 31 December 2002 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the reconciliation of movements in shareholders' funds and the related notes 1 to 19. 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, 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 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 2002 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  
London

26 March 2003

# THE BERKELEY HOTEL LIMITED

## PROFIT AND LOSS ACCOUNT Year ended 31 December 2002

	Note	2002 £'000	2001 Restated* £'000
<b>TURNOVER</b>	2	24,362	24,638
Cost of sales		(7,427)	(7,589)
<b>GROSS PROFIT</b>		16,935	17,049
Administrative expenses		(7,439)	(7,534)
<b>OPERATING PROFIT</b>	4	9,496	9,515
Bank interest receivable		-	43
Bank interest payable		-	(15)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		9,496	9,543
Tax on profit on ordinary activities	5	23	158
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR</b>		9,519	9,701
Equity dividends paid	6	-	(8,700)
<b>RETAINED PROFIT FOR THE YEAR</b>		9,519	1,001

All activities derive from continuing operations.

\* The profit and loss accounts for the year ended 31 December 2001 has been restated for the adoption of FRS 19 (see note 19).

# THE BERKELEY HOTEL LIMITED

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES Year ended 31 December 2002

	Note	2002 £'000	2001 Restated * £'000
Profit for the financial year		9,519	9,701
Total recognised gains and losses in the year		9,519	9,701
Prior period adjustment	19	(116)	-
<b>Total recognised gains and losses since last annual report</b>		<b>9,403</b>	<b>9,701</b>

\* The statement of total recognised gains and losses for the year ended 31 December 2001 has been restated for the adoption of FRS 19.



# THE BERKELEY HOTEL LIMITED

## BALANCE SHEET 31 December 2002

	Note	2002 £'000	2001 Restated* £'000
<b>FIXED ASSETS</b>			
Tangible assets	7	150,703	140,881
		<u>150,703</u>	<u>140,881</u>
<b>CURRENT ASSETS</b>			
Stocks	8	434	373
Debtors	9	1,734	1,186
Cash at bank and in hand		59	40
		<u>2,227</u>	<u>1,599</u>
<b>CREDITORS: amounts falling due within one year</b>	10	<u>(7,404)</u>	<u>(6,451)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(5,177)</u>	<u>(4,852)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		145,526	136,029
<b>Provisions for liabilities and charges</b>			
Deferred taxation	11	<u>(93)</u>	<u>(116)</u>
<b>NET ASSETS</b>		<u>145,433</u>	<u>135,913</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	150	150
Share premium account	13	133,586	133,586
Profit and loss account	13	11,697	2,177
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>145,433</u>	<u>135,913</u>

\*The balance sheet as of 31 December 2001 has been restated for the adoption of FRS 19 (see note 19).

These financial statements were approved by the Board of Directors on 26 March 2003.

Signed on behalf of the Board of Directors



J.V. Ceriale  
Director

26 March 2003

# THE BERKELEY HOTEL LIMITED

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS Year ended 31 December 2002

	£'000
Profit for the financial year	9,519
Dividend	-
Net addition to shareholders' funds	9,519
At 1 January 2002 (restated)*	135,913
At 31 December 2002	145,433

\*The opening shareholders' funds at 1 January 2002 as previously reported amounted to £136,029k before the prior period adjustment of £(116)k (see note 19).

# THE BERKELEY HOTEL LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2002

### 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.

#### **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.

#### **Stocks**

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

#### **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

#### **Deferred taxation**

Deferred taxation is provided in full 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 is not provided on timing differences arising from the revaluation of fixed assets where there is no binding commitment to dispose of these assets.

# THE BERKELEY HOTEL LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2002

### 1. ACCOUNTING POLICIES (continued)

#### Deferred taxation (continued)

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are discounted. The accounting policy for deferred taxation represents a change from that previously applied, the effects of which are set out in note 19.

#### 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.

### 2. TURNOVER

	2002 £'000	2001 £'000
Hotel, restaurant and ancillary business receipts	24,362	24,638

### 3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2002 No.	2001 No.
<b>Monthly average number of persons employed</b>		
Hotel and administration	300	297
	300	297
	£'000	£'000
<b>Staff costs during the year</b>		
Wages and salaries	4,315	4,699
Social security costs	339	357
Pension costs	91	96
	4,745	5,152

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

### 4. OPERATING PROFIT

Operating profit is stated after charging:

	2002 £'000	2001 £'000
Operating leases		
- other assets	11	23
Auditors' remuneration - audit services	16	15
Depreciation	801	1,071

# THE BERKELEY HOTEL LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2002

### 5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 £'000	2001 Restated £'000
UK corporation tax for the year at 30% (2001: 30%) based on the profit/loss for the period	-	-
Deferred tax		
Timing differences: origination and reversal		
Current year	47	303
Adjustment in respect of prior years	13	5
Increase/(decrease) in discount		
Current year	(31)	(148)
Adjustment in respect of prior years	(6)	(2)
	<u>23</u>	<u>158</u>

Adoption of FRS 19 has required a change in the method of accounting for deferred tax. As a result the comparative figure for the tax on profit on ordinary activities for the year ended 31 December 2001 has been restated from the previously reported result of nil to £158k. The impact of adopting FRS 19 on the 2002 results has been an increase to the tax credit of £23k.

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

The corporation tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK of 30% (2001: 30%).

The differences are explained below:

	2002 £'000	2001 £'000
Profit/(loss) on ordinary activities before tax	<u>9,496</u>	<u>9,543</u>
Tax at 30% thereon:	2,849	2,863
Effect of:		
Capital allowances in excess of qualifying depreciation	47	321
Other timing differences in respect of capital allowances	-	(23)
Other reconciling timing differences	-	5
Group relief received for nil consideration	(2,957)	(3,167)
Expenses not deductible for tax purposes		
Non qualifying depreciation	78	-
Capitalised tax deductible expenses	(17)	-
Other reconciling permanent differences	-	1
Current tax charge for the period	<u>-</u>	<u>-</u>

# THE BERKELEY HOTEL LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2002

### 5. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

#### Factors that may affect the future tax charge

Deferred tax has not been provided on revaluations 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 £30,500k.

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 £899k.

### 6. DIVIDENDS

	2002 £'000	2001 £'000
Dividends paid to immediate parent company: A Shares (1,000,000 shares at 870p per share)	-	8,700

### 7. TANGIBLE FIXED ASSETS

	Long leasehold land and buildings £'000	Assets under course of construction £'000	Fixtures, fittings, plant and machinery £'000	Total £'000
<b>Cost</b>				
As at 1 January 2001	126,210	7,371	18,043	151,624
Charge for the year	-	10,397	226	10,623
Reclassification	-	(47)	47	-
At 31 December 2002	126,210	17,721	18,316	162,247
<b>Accumulated depreciation</b>				
As at 1 January 2002	-	-	10,743	10,743
Additions	-	-	801	801
At 31 December 2002	-	-	11,544	11,544
<b>Net book value</b>				
At 31 December 2002	126,210	17,721	6,772	150,703
At 31 December 2001	126,210	7,371	7,300	140,881

Borrowings of another group company, Blackstone Hotel Acquisitions Company, are secured by a fixed and floating charge over the assets of the Company.

# THE BERKELEY HOTEL LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2002

### 8. STOCKS

	2002 £'000	2001 £'000
Raw materials and consumables	434	373

### 9. DEBTORS

	2002 £'000	2001 £'000
Trade debtors	1,259	830
Amounts owed from group undertakings	203	-
Other debtors	101	119
Prepayments and accrued income	171	237
	<u>1,734</u>	<u>1,186</u>

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

	2002 £'000	2001 £'000
Trade creditors	1,719	1,030
Amounts owed to group undertakings	4,334	3,443
Other taxes and social security	1,011	1,303
Other creditors	86	63
Accruals and deferred income	254	612
	<u>7,404</u>	<u>6,451</u>

# THE BERKELEY HOTEL LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2002

### 11. DEFERRED TAX

	2002 £'000
Movement in deferred tax provision	
Provision at 1 January 2002	
As previously reported	-
Prior year adjustment	116
	<hr/>
As restated	116
Credit to the profit and loss account	(23)
	<hr/>
At 31 December 2002	93
	<hr/>

	2002 £'000	2001 Restated £'000
Analysis of deferred tax balance		
Capital allowances in excess of depreciation	175	231
Short term timing differences	(9)	(5)
	<hr/>	<hr/>
Undiscounted provision for deferred tax	166	226
Discount on timing differences	(73)	(110)
	<hr/>	<hr/>
Discounted provision for deferred tax	93	116
	<hr/>	<hr/>

### 12. CALLED UP SHARE CAPITAL

	2002 £'000	2001 £'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.



# THE BERKELEY HOTEL LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2002

### 13. SHARE PREMIUM ACCOUNT AND RESERVES

	Share premium £'000	Profit and loss account Restated £'000
At 1 January 2002		
As previously stated	133,586	2,293
Prior year adjustment (see note 19)	-	(116)
	<hr/>	<hr/>
As restated	133,586	2,177
Profit for the year	-	9,519
Dividends	-	-
	<hr/>	<hr/>
At 31 December 2002	<u>133,586</u>	<u>11,696</u>

### 14. CAPITAL COMMITMENTS

	2002 £'000	2001 £'000
Capital commitments (land and buildings):		
Contracted but not provided for in the accounts	<u>2,135</u>	<u>6,000</u>

### 15. OPERATING LEASE COMMITMENTS

	2002 £'000	2001 £'000
Operating lease commitments:		
Other assets expiring:		
- in two to five years	<u>23</u>	<u>23</u>
Annual commitments under non-cancellable leases	<u>23</u>	<u>23</u>

# THE BERKELEY HOTEL LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2002

### 16. 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.

### 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 COMPANYS

At 31 December 2002, 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.

### 19. PRIOR PERIOD ADJUSTMENT

The adoption of FRS 19 has required changes in the method of accounting for deferred tax assets and liabilities. Following this change in accounting policy, the comparatives have been restated as follows:

	Deferred tax liability/ (asset) £'000	Profit and loss account reserve £'000	Shareholders' funds £'000
At 31 December 2001 as previously reported	-	2,293	136,029
Impact of adoption of FRS 19 at 1 January 2001	274	(274)	(274)
Impact of adoption of FRS 19 on profit and loss account in year ended 31 December 2001	(158)	158	158
Impact of adoption of FRS 19 at 1 January 2002	116	(116)	(116)
At 31 December 2001 restated	116	2,177	135,913