

Company Registration No. 3669260

The Berkeley Hotel Limited

Report and Financial Statements

31 December 2003



Deloitte & Touche LLP
London

The Berkeley Hotel Limited

Report and financial statements 2003

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The Berkeley Hotel Limited

Report and financial statements 2003

Officers and professional advisers

Directors

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

Secretary

M R France

Registered Office

1 Savoy Hill
London
WC2R 0BP

Bankers

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

Solicitors

DLA
3 Noble Street
London
EC2V 7EE

Auditors

Deloitte & Touche LLP
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 2003.

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 £8.9 million (2002:£10.3 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 (2002: £nil).

Directors and their interests

The directors of the company at 31 December 2003, who have been directors for the whole year, 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)

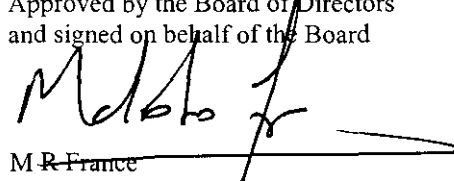
Employees

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

On 1 August 2003, Deloitte & Touche, the company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

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


M.R. France
Secretary

3 March 2004

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, for 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 2003 which comprise the profit and loss account, the balance sheet 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.

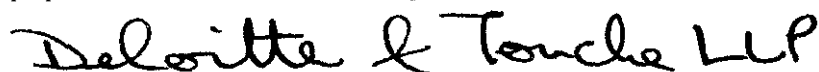
Basis of audit opinion

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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

4 March 2004

The Berkeley Hotel Limited

Profit and loss account Year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Turnover	2	21,618	24,362
Cost of sales		(5,614)	(7,427)
Gross profit		16,004	16,935
Administrative expenses		(7,881)	(7,439)
Operating profit	4	8,123	9,496
Profit on ordinary activities before taxation		8,123	9,496
Tax credit on profit on ordinary activities	5	363	23
Profit on ordinary activities after taxation for the financial year		8,486	9,519
Equity dividends paid		-	-
Retained profit for the year		8,486	9,519

All activities derive from continuing operations.

There are no recognised gains or losses in either year other than the profit for that year. Accordingly, no statement of total recognised gains and losses has been prepared.

The Berkeley Hotel Limited

Balance sheet 31 December 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	6	155,525	150,703
Investments	7	6	-
		<u>155,531</u>	<u>150,703</u>
Current assets			
Stocks	8	440	434
Debtors	9	1,735	1,734
Cash at bank and in hand		44	59
		<u>2,219</u>	<u>2,227</u>
Creditors: amounts falling due within one year	10	<u>(1,612)</u>	<u>(7,404)</u>
Net current liabilities		<u>(1,882)</u>	<u>(5,177)</u>
Total assets less current liabilities		153,919	145,526
Provisions for liabilities and charges			
Deferred taxation	11	-	(93)
Net assets		<u>153,919</u>	<u>145,433</u>
Capital and reserves			
Called up share capital	12	150	150
Share premium account	13	133,586	133,586
Profit and loss account	13	20,183	11,697
Equity shareholders' funds		<u>153,919</u>	<u>145,433</u>

These financial statements were approved by the Board of Directors on 3 March 2004.

Signed on behalf of the Board of Directors



J V Ceriale

Director

The Berkeley Hotel Limited

Notes to the accounts

Year ended 31 December 2003

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom 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.

Cash flow statement

As described in note 14, the Company's ultimate parent undertaking publishes financial statements which are publicly available. Those financial statements include a consolidated cash flow statement. For this reason the exemption requirements of FRS 1 "Cash Flow Statements" are met and the Company has therefore not prepared a cash flow statement.

Group accounts

The Company is exempt from the obligation to prepare consolidated accounts by virtue of S228 of the Companies Act 1985 in that it is a wholly owned subsidiary of its ultimate parent and controlling undertaking which itself prepares group accounts which are publicly available. These financial statements are therefore entity financial statements and are not consolidated financial statements.

Turnover

Turnover 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 the profit and loss account 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

The Berkeley Hotel Limited

Notes to the accounts

Year ended 31 December 2003

1. Accounting policies (continued)

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.

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.

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

	2003 £'000	2002 £'000
Hotel, restaurant and ancillary business receipts	21,618	24,362

3. Information regarding directors and employees

	2003 No.	2002 No.
Monthly average number of persons employed (excluding directors)		
Hotel and administration	261	300
	261	300
	£'000	£'000
Staff costs during the year (excluding directors)		
Wages and salaries	3,635	4,315
Social security costs	336	339
Pension costs	83	91
	4,054	4,745

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

The Berkeley Hotel Limited

Notes to the accounts Year ended 31 December 2003

4. Operating profit

Operating profit is stated after charging:

	2003 £'000	2002 £'000
Operating leases		
- other assets	16	11
Auditors' remuneration - audit services	20	16
Depreciation – owned assets	768	801

5. Tax credit on profit on ordinary activities

	2003 £'000	2002 £'000
UK corporation tax for the year at 30% (2002: 30%) based on the profit for the period	-	-
Deferred tax credit/(charge)		
Timing differences: origination and reversal		
Current year	134	47
Adjustment in respect of prior years	310	13
Decrease in discount		
Current year	(4)	(31)
Adjustment in respect of prior years	(77)	(6)
Tax credit on profit on ordinary activities	363	23

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% (2002: 30%).

The differences are explained below:

	2003 £'000	2002 £'000
Profit on ordinary activities before tax	8,123	9,496
Tax at 30% thereon:	2,437	2,849
Effect of:		
Capital allowances in excess of qualifying depreciation	134	47
Group relief received for nil consideration	(2,559)	(2,957)
Non qualifying depreciation	96	78
Capitalised tax deductible expenses	(108)	(17)
Current tax charge for the period	-	-

The Berkeley Hotel Limited

Notes to the accounts

Year ended 31 December 2003

5. Tax on profit on ordinary activities (continued)

Factors that may affect the future tax charge

Deferred tax has not been provided on the difference between the carrying value and the tax basis of fixed assets. This tax will only become payable if the assets are sold and rollover relief is not obtained. The estimated amount of tax that would become payable in these circumstances is £30.5m.

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 £1.0m.

6. 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 2003	126,210	17,721	18,316	162,247
Additions	1,234	53	4,303	5,590
Reclassification	3,949	(17,721)	13,772	-
At 31 December 2003	131,393	53	36,391	167,837
Accumulated depreciation				
As at 1 January 2003	-	-	11,544	11,544
Charge for the year	-	-	768	768
At 31 December 2003	-	-	12,312	12,312
Net book value				
At 31 December 2003	131,393	53	24,079	155,525
At 31 December 2002	126,210	17,721	6,772	150,703

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 2003

7. Investments in subsidiaries

	2003 £'000	2002 £'000
At cost and net book value		
At 1 January 2003	-	-
Additions	6	-
At 31 December 2003	<u>6</u>	<u>-</u>

During the year the company acquired certain dormant companies (listed below) from other group undertakings at their carrying value.

Subsidiary undertaking	Country of incorporation	Activity	Shareholding
The Minema Limited	Great Britain	Dormant Company	100%
The Berkeley Hotel (49907) Company Limited	Great Britain	Dormant Company	100%

8. Stocks

	2003 £'000	2002 £'000
Raw materials and consumables	<u>440</u>	<u>434</u>

9. Debtors

	2003 £'000	2002 £'000
Trade debtors	1,262	1,259
Amounts owed from group undertakings	-	203
Other debtors	28	101
Prepayments and accrued income	175	171
Deferred tax asset	270	-
	<u>1,465</u>	<u>1,734</u>

The Berkeley Hotel Limited

Notes to the accounts Year ended 31 December 2003

10. Creditors: amounts falling due within one year

	2003 £'000	2002 £'000
Bank overdraft	5	-
Trade creditors	1,797	1,719
Amounts owed to group undertakings	674	4,334
Other taxes and social security	846	1,011
Other creditors	58	86
Accruals and deferred income	451	254
	<u>3,831</u>	<u>7,404</u>

11. Deferred tax

	2003 £'000	2002 £'000
Movement in deferred tax provision		
Provision at 1 January 2003		(93)
Credit to the profit and loss account		363
Deferred tax asset 31 December 2003		<u>270</u>
	<u>2003 £'000</u>	<u>2002 £'000</u>
Analysis of deferred tax asset/(liability)		
Capital allowances in excess of depreciation	278	(175)
Short term timing differences	-	9
Undiscounted deferred tax asset/(liability)	<u>278</u>	<u>(166)</u>
Discount on timing differences	(8)	73
Discounted deferred tax asset/(liability)	<u>270</u>	<u>(93)</u>

12. Called up share capital

	2003 £'000	2002 £'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.

The Berkeley Hotel Limited

Notes to the accounts Year ended 31 December 2003

13. Share premium account and reserves

	Share premium £'000	Profit and loss account £'000
At 1 January 2003	133,586	11,697
Profit for the year	-	8,486
Dividends	-	-
At 31 December 2003	<u>133,586</u>	<u>20,183</u>

14. Reconciliation of movement in shareholder's funds

	2003 £'000	2002 £'000
Profit for the financial year	8,486	9,519
Dividend	-	-
Net addition to shareholders' funds	<u>8,486</u>	<u>9,519</u>
At 1 January 2003	145,433	135,914
At 31 December 2003	<u>153,919</u>	<u>145,433</u>

15. Capital commitments

	2003 £'000	2002 £'000
Capital commitments (land and buildings):		
Contracted but not provided for in the accounts	<u>418</u>	<u>2,135</u>

16. Operating lease commitments

	2003 £'000	2002 £'000
Operating lease commitments:		
Other leases expiring:		
- in two to five years	<u>6</u>	<u>11</u>
Annual commitments under non-cancellable leases	<u>6</u>	<u>11</u>

The Berkeley Hotel Limited

Notes to the accounts

Year ended 31 December 2003

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 2003, 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.