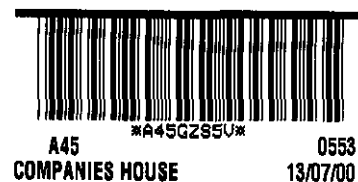


CLARIDGE'S HOTEL HOLDINGS LIMITED
(Formerly SAVREG C LIMITED)

Report and Financial Statements

For the period 12 November 1998 (date of incorporation) to 31 December 1999

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



REPORT AND FINANCIAL STATEMENTS 1999

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REPORT AND FINANCIAL STATEMENTS 1999

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

DIRECTORS' REPORT

ACTIVITIES

The principal activity of the company is the ownership of Claridge's Hotel Ltd.

REVIEW OF DEVELOPMENTS

The company was incorporated on 12 November 1998 and commenced trading on 5 January 1999 after a restructuring of "The Savoy Group".

On 18 December 1998 the company changed its name from SAVREG C Limited to The Claridge's Hotel Holdings Limited.

The profit for the year before interest, tax and depreciation is £9,900,000. The profit and loss account is shown on page 5.

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

DIVIDENDS

In the year a dividend amounting to £9,900,000 was paid.

DIRECTORS AND THEIR INTERESTS

The directors of the company at 31 December 1999, who have been directors for the whole period unless otherwise stated, are listed below. The directors do not hold any material interests in the shares of the company or its subsidiary.

R Pajares	Appointed 12 November 1998, resigned 31 December 1999
AJ Fort	Appointed 12 November 1998, resigned 30 September 1999
MR Aucott	Appointed 12 November 1998, resigned 12 November 1998
JZ Kukral	Appointed 23 July 1999
JD Gray	Appointed 23 July 1999
JV Cerialle	Appointed 23 July 1999
T Barrack Jr	Appointed 23 July 1999

EMPLOYEES

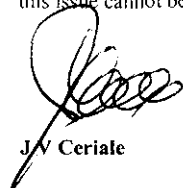
The Group's policy is to give full and fair consideration to the recruitment of disabled persons having regard to their particular aptitudes and abilities. Appropriate training will be arranged for disabled persons. The Group's personnel policies ensure that all its employees are made aware, on a regular 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.

YEAR 2000

Following their initial review, the directors continue to be alert to the potential risks and uncertainties surrounding the year 2000 issue. As at the date of this report, the directors are not aware of any significant factors which have arisen, or that may arise, which will affect the activities of the business; however, the situation is still being monitored. Any future costs associated with this issue cannot be quantified but are not expected to be significant.



J.V. Cerialle

On behalf of the Board

Date: 14 June 2000

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 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;
- 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.

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 9 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

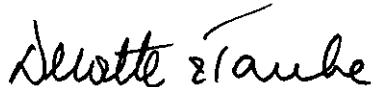
Basis of opinion

We conducted our audit in accordance with 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 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 1999 and of the profit of the company for the period from 12 November 1998 to 31 December 1999 and have been properly prepared in accordance with the Companies Act 1985.



DELOITTE & TOUCHE
Chartered Accountants and
Registered Auditors

Date 15 June 2000

1 Little New Street
London EC4A 3TR

CLARIDGE'S HOTEL HOLDINGS LIMITED
(Formerly SAVREG C LIMITED)

PROFIT AND LOSS ACCOUNT

Period from 12 November 1998 (date of incorporation) to 31 December 1999

	Note	£'000
Income from shares in group undertakings		9,900
Profit on ordinary activities before taxation		<u>9,900</u>
Taxation on profit on ordinary activities	3	-
Profit on ordinary activities after taxation for the period		<u>9,900</u>
Equity dividends paid		(9,900)
Retained profit for the period		<u><u>-</u></u>

All activities derive from acquired and continuing operations.

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

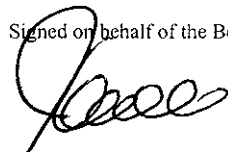
CLARIDGE'S HOTEL HOLDINGS LIMITED
(Formerly SAVREG C LIMITED)

BALANCE SHEET
31 December 1999

	Note	£'000
FIXED ASSETS		
Investments in subsidiaries	4	182,000
		<u>182,000</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		182,000
Net Assets		<u><u>182,000</u></u>
CAPITAL AND RESERVES		
Called up share capital	5	150
Share premium account	6,7	181,850
Profit and loss account	6,7	-
Equity shareholders' funds		<u><u>182,000</u></u>

These financial statements were approved by the Board of Directors on 14 June 2000.

Signed on behalf of the Board of Directors



J. Ceriale
Director

CLARIDGE'S HOTEL HOLDINGS LIMITED
(Formerly SAVREG C LIMITED)

NOTES TO THE ACCOUNTS

Period 12 November 1998 (date of incorporation) to 31 December 1999

1. ACCOUNTING POLICIES

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

Basis of accounting

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

Investment in subsidiaries

Investments in subsidiaries are stated at cost less any provision for impairment in value.

Group accounts

As permitted by section 228 of the Companies Act 1985, group accounts have not been prepared. These financial statements present financial information about the company as an individual undertaking and not about its group.

CLARIDGE'S HOTEL HOLDINGS LIMITED
(Formerly SAVREG C LIMITED)

NOTES TO THE ACCOUNTS

Period 12 November 1998 (date of incorporation) to 31 December 1999

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The company has no employees. The directors are remunerated by a company with a financial interest in the ultimate parent company

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.

3. INVESTMENTS IN SUBSIDIARIES

	£'000
Cost	
As at 12 November 1998	-
Additions in the period	182,000
At 31 December 1999	<u>182,000</u>

The sole subsidiary is Claridges Hotel Limited, which is 100% owned by Claridges Hotel Holdings Limited. Claridges Hotel Limited is incorporated in England and owns and manages Claridges Hotel, London.

4. CALLED UP SHARE CAPITAL

	£'000
Authorised, called up, allotted and fully paid	
1,000,000 "A" ordinary shares of 10p each	100
500,000 "B" ordinary shares of 10p each	50
	<u>150</u>

All the share capital was issued in the period. Details of the consideration received are given in note 9.

Shares rank equally, except for a dividend and return on capital, where A shares are worth 10,000 times more than B shares.

5. SHARE PREMIUM ACCOUNT AND RESERVES

	Share Premium £'000	Profit and loss account £'000
At 12 November 1998	-	-
Profit for the period	-	9,900
Dividends	-	(9,900)
Share premium arising on restructuring of the Group	181,850	-
At 31 December 1999	<u>181,850</u>	<u>-</u>

6. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	£'000
Profit for the financial period	9,900
Dividend	(9,900)
Share capital issued	150
Share premium	181,850
Net addition to shareholders' funds	<u>182,000</u>
At 12 November 1998	-
At 31 December 1999	<u>182,000</u>

CLARIDGE'S HOTEL HOLDINGS LIMITED
(Formerly SAVREG C LIMITED)

NOTES TO THE ACCOUNTS

Period 12 November 1998 (date of incorporation) to 31 December 1999

7. RELATED PARTY DISCLOSURE

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.

8. ULTIMATE PARENT COMPANY

At 31 December 1999, 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 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.

Blackstone Hotel Acquisitions Company is the smallest member of the Group in which the company is a member and for which Group accounts are prepared. Copies of its statutory accounts will also be available from its registered office 1 Savoy Hill, London WC2R 0BP.

9. SUBSIDIARY ACQUIRED IN THE PERIOD

On 5 January 1999 the company acquired the entire share capital of Claridge's Hotel Limited. The following table shows the book value and provisional fair value of assets acquired:

	Book value and provisional fair value £'000
Tangible fixed assets	194,699
Fixed asset investments	15,012
Current asset investments	300
Debtors	11,693
Bank overdrafts	(343)
Creditors	(39,361)
Net Assets	182,000
Satisfied by:	
Issue of share capital	150
Issue of share premium	181,850
	182,000