

Company Registration No. 3669265

Claridge's Hotel Holdings Limited

Report and Financial Statements

31 December 2003



Deloitte & Touche LLP
London

Claridge's Hotel Holdings Limited

Report and financial statements 2003

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Claridge's Hotel Holdings Limited

Report and financial statements 2003

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

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

Claridge's Hotel Holdings 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 of Claridge's Hotel Limited.

Review of developments

The company did not trade during the year. The only movement was income from subsidiary undertakings and the payment of dividends. The profit for the year was £12.0m (2002: £nil). 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

Dividends of £8m were paid in the year (2002: £nil).

Directors and their interests

The directors of the company at 31 December 2003, 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 group companies.

| | |
|--------------|-----------------|
| JZ Kukral | (United States) |
| JD Gray | (United States) |
| JV Ceriale | (United States) |
| T Barrack Jr | (United States) |

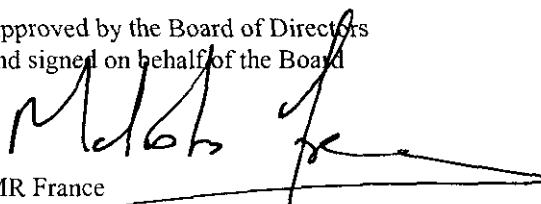
Employees

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


MR France
Secretary

3 March 2004

Claridge's Hotel Holdings 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 Claridge's Hotel Holdings Limited

We have audited the financial statements of Claridge's Hotel Holdings Limited for the year ended 31 December 2003 which comprise the profit and loss account, the balance sheet and the related notes 1 to 10. 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

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

4 March 2004

Claridge's Hotel Holdings Limited

Profit and loss account

Year ended 31 December 2003

| | Note | 2003 £'000 | 2002 £'000 |
|----------------------------------------------------------------------|------|---------------|---------------|
| Income from shares in group undertakings | | 12,000 | - |
| Profit on ordinary activities before taxation | | 12,000 | - |
| Tax on profit on ordinary activities | 3 | - | - |
| Profit on ordinary activities after taxation for the year | | 12,000 | - |
| Equity dividends paid | | (8,000) | - |
| Retained profit carried forward | | 4,000 | - |

All activities are derived from continuing operations.

There were no gains and losses for the current or prior year other than those stated in the profit and loss account above, consequently no statement of total recognised gains and losses is presented.

Claridge's Hotel Holdings Limited

Balance sheet

31 December 2003

| | Note | 2003 £'000 | 2002 £'000 |
|----------------------------------------------|------|---------------|---------------|
| Fixed assets | | | |
| Investments | 4 | 182,000 | 182,000 |
| Current Assets | | | |
| Debtors | 5 | 4,000 | - |
| Net current assets | | 4000 | - |
| Total assets less current liabilities | | 186,000 | 182,000 |
| Capital and reserves | | | |
| Called up share capital | 6 | 150 | 150 |
| Share premium account | 7 | 181,850 | 181,850 |
| Profit and loss account | 7 | 4,000 | - |
| Total equity shareholders' funds | 8 | 186,000 | 182,000 |

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

Claridge's Hotel Holdings 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 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.

Investment in subsidiaries

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

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

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.

2. Information regarding directors, employees and audit fees

The company has no employees. The directors receive no remuneration for their services to this company. The audit fee is borne by another group company.

3. Taxation on profit on ordinary activities

There is no tax charge for the current or preceding year. The income received by the company in the current year is exempt from taxation. No income was received in the preceding year.

4. Investments in subsidiaries

| | |
|-------------------------------------------|--------------|
| | £'000 |
| Cost and net book value | |
| At 1 January 2003 and at 31 December 2003 | 182,000 |

The sole subsidiary is Claridge's Hotel Limited, which is 100% owned by Claridge's Hotel Holdings Limited. Claridge's Hotel Limited is incorporated in Great Britain and owns and manages Claridge's Hotel, London.

5. Debtors

| | |
|------------------------------------|--------------|
| | £'000 |
| Amounts owed to group undertakings | 4,000 |

Claridge's Hotel Holdings Limited

Notes to the accounts Year ended 31 December 2003

6. Called up share capital

| | 2003 £'000 | 2002 £'000 |
|-------------------------------------------|---------------|---------------|
| Authorised: | | |
| 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> |
| 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 dividend and return on capital, where A shares are worth 10,000 times more than B shares.

7. Share premium account and reserves

| | Share premium £'000 | Profit and loss account £'000 | Total £'000 |
|------------------------------|---------------------------|----------------------------------------|----------------|
| At 31 December 2002 | 181,850 | - | 181,850 |
| Retained profit for the year | - | 4,000 | 4,000 |
| At 31 December 2003 | <u>181,850</u> | <u>4,000</u> | <u>185,850</u> |

8. Reconciliation of movement in shareholders' funds

| | 2003 £'000 | 2002 £'000 |
|-------------------------------------|----------------|----------------|
| Profit for the financial year | 12,000 | - |
| Dividends paid | (8,000) | - |
| Net addition to shareholders' funds | <u>4,000</u> | - |
| At 31 December 2002 | 182,000 | 182,000 |
| At 31 December 2003 | <u>186,000</u> | <u>182,000</u> |

9. 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.

10. 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

Claridge's Hotel Holdings Limited

Notes to the accounts

Year ended 31 December 2003

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.