

**THE CONNAUGHT HOTEL LIMITED**

**Report and Financial Statements**

**For the year ended 31 December 2000**

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



REPORT AND FINANCIAL STATEMENTS 2000

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**REPORT AND FINANCIAL STATEMENTS 2000**

**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 The Connaught Hotel.

### 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".

The profit for the year before interest, tax and depreciation is £6.45 million (1999:£4.54 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, Blackstone Hotel Acquisitions Company, to the value of £5.88 million (1999: £3.15 million.)

### DIRECTORS AND THEIR INTERESTS

The directors of the company at 31 December 2000, 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 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: 26<sup>th</sup> March 2001

#### 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; 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.

## AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 13 which have been prepared under the accounting policies set out on pages 7 and 8.

### Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting 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 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 affairs of the company as at 31 December 2000 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche*

DELOITTE & TOUCHE  
Chartered Accountants and  
Registered Auditors  
Date *27 March 2001*

Hill House  
1 Little New Street  
London EC4A 3TR

THE CONNAUGHT HOTEL LIMITED

PROFIT AND LOSS ACCOUNT  
Year ended 31 December 2000

		2000	12 November 1998 to
	Note	£'000	31 December 1999
			£'000
<b>TURNOVER</b>	2	13,868	12,907
Cost of sales		(5,291)	(4,859)
Gross profit		<u>8,577</u>	<u>8,048</u>
Administration expenses		(3,465)	(3,891)
<b>OPERATING PROFIT</b>	4	<u>5,112</u>	<u>4,157</u>
Profit/(loss) on disposal of fixed assets		940	(251)
Bank interest receivable		355	177
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>6,407</u>	<u>4,083</u>
Tax on profit on ordinary activities	6	-	-
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR</b>	13	<u>6,407</u>	<u>4,083</u>
Equity dividends paid	5,13	(5,880)	(3,150)
<b>RETAINED PROFIT FOR THE PERIOD</b>		<u><u>527</u></u>	<u><u>933</u></u>

All activities derive from continuing operations.

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

Trading commenced on 5 January 1999.

THE CONNAUGHT HOTEL LIMITED

BALANCE SHEET  
31 December 2000

	Note	2000 £'000	1999 £'000
<b>FIXED ASSETS</b>			
Tangible Assets	7	65,642	64,055
		<u>65,642</u>	<u>64,055</u>
<b>CURRENT ASSETS</b>			
Stocks	8	816	733
Debtors	9	7,527	8,774
Cash at bank and in hand		25	21
		<u>8,368</u>	<u>9,528</u>
<b>CREDITORS: amounts falling due within one year</b>	10	(1,554)	(1,654)
<b>NET CURRENT ASSETS</b>		<u>6,814</u>	<u>7,874</u>
<b>Net assets</b>		<u>72,456</u>	<u>71,929</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	150	150
Share premium account	13	70,846	70,846
Profit and loss account	13	1,460	933
<b>Equity shareholders' funds</b>	14	<u>72,456</u>	<u>71,929</u>

These financial statements were approved by the Board of Directors on 26th March 2001.

Signed on behalf of the Board of Directors



J V Ceriale  
Director



## THE CONNAUGHT HOTEL LIMITED

### NOTES TO THE ACCOUNTS

Year ended 31 December 2000

#### 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 diminution in property value below historical cost, provision is made in 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.

Short-term leasehold properties are amortised over the period of the lease.

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 CONNAUGHT HOTEL LIMITED**

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2000**

**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.

**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 is recognised on an accruals basis.

THE CONNAUGHT HOTEL LIMITED

NOTES TO THE ACCOUNTS  
Year ended 31 December 2000

2. TURNOVER

	2000 £'000	12 Nov 1998 to 31 Dec 1999 £'000
Hotel, restaurant and ancillary business receipts	13,868	12,907
	<u>13,868</u>	<u>12,907</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2000 No	12 Nov 1998 to 31 Dec 1999 No
Monthly average number of persons employed		
Hotel and administration	231	222
	<u>231</u>	<u>222</u>

	2000 £'000	12 Nov 1998 to 31 Dec 1999 £'000
Staff costs during the period		
Wages and salaries	3,342	3,018
Social security costs	271	250
Pension costs	93	81
	<u>3,706</u>	<u>3,349</u>

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

4. OPERATING PROFIT

	2000 £'000	12 Nov 1998 to 31 Dec 1999 £'000
Operating profit is stated after charging:		
Auditors' remuneration - audit services	8	11
Depreciation	402	635
	<u>402</u>	<u>635</u>

5. DIVIDENDS

	2000 £'000	12 Nov 1998 to 31 Dec 1999 £'000
Dividends paid to immediate parent company		
A Shares (1,000,000 shares at 437.5p per share)	4,375	3,150
B Shares (500,000 shares at 0.0438p per share)	-	-
	<u>4,375</u>	<u>3,150</u>
Dividends proposed to immediate parent company		
A Shares (1,000,000 shares at 150.5p per share)	1,505	-
B Shares (500,000 shares at 0.015p per share)	-	-
	<u>1,505</u>	<u>-</u>

NOTES TO THE ACCOUNTS  
Year ended 31 December 2000

6. 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.

7. TANGIBLE FIXED ASSETS

	Long leasehold land and buildings £'000	Short leasehold land and buildings £'000	Assets held under the course of construction £'000	Fixtures, fittings, plant and machinery £'000	Total £'000
<b>Cost</b>					
As at 1 January 2000	60,954	591	2	8,472	70,019
Additions	1,256	-	-	870	2,126
Reclassification	-	-	(2)	2	-
Disposals	(95)	-	-	(483)	(578)
<b>At 31 December 2000</b>	<b>62,115</b>	<b>591</b>	<b>-</b>	<b>8,861</b>	<b>71,567</b>
<b>Accumulated Depreciation</b>					
As at 1 January 2000	-	324	-	5,640	5,964
Disposals	-	30	-	(432)	(402)
Charge for the year	-	-	-	363	363
<b>At 31 December 2000</b>	<b>-</b>	<b>354</b>	<b>-</b>	<b>5,571</b>	<b>5,925</b>
<b>Net book value</b>					
<b>At 31 December 2000</b>	<b>62,115</b>	<b>237</b>	<b>-</b>	<b>3,290</b>	<b>65,642</b>
<b>At 1 January 2000</b>	<b>60,954</b>	<b>267</b>	<b>2</b>	<b>2,832</b>	<b>64,055</b>

8. STOCKS

	2000 £'000	1999 £'000
Raw materials and consumables	816	733

9. DEBTORS

	2000 £'000	1999 £'000
Trade debtors	505	909
Amounts owed by group undertakings	6,851	7,758
Prepayments and accrued income	171	107
	<b>7,527</b>	<b>8,774</b>

THE CONNAUGHT HOTEL LIMITED

NOTES TO THE ACCOUNTS  
Year ended 31 December 2000

10. CREDITORS: AMOUNTS FALLING DUE WITHIN  
ONE YEAR

	2000 £'000	1999 £'000
Bank loans and overdrafts	161	19
Trade creditors	799	710
Other taxes and social security	359	613
Other creditors	16	15
Accruals and deferred income	219	297
	<u>1,554</u>	<u>1,654</u>

11. UNPROVIDED DEFERRED TAX

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

	2000 £'000	1999 £'000
Accelerated capital allowances in advance of depreciation	615	820
Rolled over gains	1,272	1,381
	<u>1,887</u>	<u>2,201</u>

In addition there would be a tax charge of approximately £14.2m (1999: £14.2m) 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

	2000 £'000	1999 £'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 CONNAUGHT HOTEL LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2000

13. SHARE PREMIUM ACCOUNT AND RESERVES

	Share premium £'000	Profit & loss account £'000
At 1 January 2000	70,846	933
Profit for the period	-	6,407
Dividends	-	(5,880)
At 31 December 2000	70,846	1,460

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	£'000
Profit for the financial period	6,407
Dividends	(5,880)
Net addition to shareholders' funds	527
At 31 December 1999	71,929
At 31 December 2000	72,456

15. CAPITAL COMMITMENTS

	2000 £'000	1999 £'000
Capital commitments: (land and buildings)		
Contracted but not provided in the accounts	-	3

NOTES TO THE ACCOUNTS

Year ended 31 December 2000

16. PENSIONS AND SIMILAR OBLIGATIONS

The Connaught 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.

The pension cost relating to the schemes is assessed in accordance with the advice of an independent qualified actuary using the attained age method. The latest actuarial valuation of those schemes was at 1 April 1998. The assumptions that have the most significant effect on the valuation are those relating to the rate of return on investments and the rates of increase in pension and salaries. It was assumed that the investment return rate would be 7% per annum, salary increases would average at 5% per annum for senior staff and 4.5% for other staff, and present and future pensions would increase at a rate of 3% per annum.

At the date of the latest actuarial valuation, the market value of the assets of the schemes was £22.9 million and the actuarial value of the assets was sufficient to cover 111% of the benefits which have accrued to members, after allowing for expected future increases in earnings.

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 COMPANY

At 31 December 2000, 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 of 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 of 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.