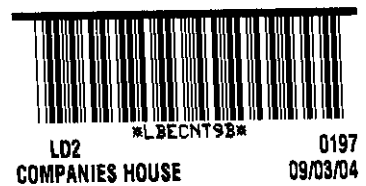


**Company Registration No. 29022**

**Claridge's Hotel Limited**

**Report and Financial Statements**

**31 December 2003**



**Deloitte & Touche LLP  
London**

# **Claridge's Hotel Limited**

## **Report and financial statements 2003**

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# **Claridge's Hotel Limited**

## **Report and financial statements 2003**

### **Officers and professional advisers**

#### **Directors**

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

#### **Secretary**

M R France

#### **Registered office**

1 Savoy Hill  
London  
WC2R 0BP

#### **Bankers**

Barclay 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 LLP  
Chartered Accountants  
London

# Claridge's 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 Claridge's Hotel.

### Review of developments

The profit for the year before interest, tax and depreciation is £15.47million (2002: £17.2million). 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 £12.0million 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 are listed below. The directors do not hold any material interests in the shares of the company or any other group companies.

J Z Kukral	(United States)
J D Gray	(United States)
J V Ceriale	(United States)
T Barrack Jr	(United States)

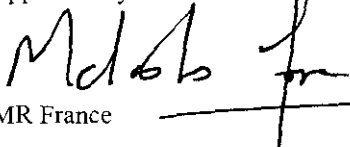
### Employees

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

  
MR France

Secretary

3 March 2004

## **Claridge's 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 Claridge's Hotel Limited**

We have audited the financial statements of Claridge's Hotel Ltd for the year ended 31 December 2003 which comprise the profit and loss account, the balance sheet and the related notes 1 to 22. 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 Limited

## Profit and loss account Year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Turnover	2	33,429	36,750
Cost of sales		(10,126)	(11,254)
Gross profit		23,303	25,496
Administrative expenses		(10,229)	(9,845)
Profit on sale of current asset investment	5	900	-
Operating profit	4	13,974	15,651
Interest receivable and similar income	6	600	48
Profit on ordinary activities before taxation		14,574	15,699
Tax (charge)/credit on profit on ordinary activities	8	(1,764)	592
Profit on ordinary activities after taxation for the financial year		12,810	16,291
Dividends paid	7	(12,000)	-
Retained profit for the year		810	16,291

All current year 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 or losses has been prepared.

# Claridge's Hotel Limited

## Balance Sheet 31 December 2003

	Note	2003 £'000	2002 £'000
<b>Fixed assets</b>			
Tangible assets	9	189,359	190,249
Investments	10	150	1,128
		<u>189,509</u>	<u>191,377</u>
<b>Current assets</b>			
Stocks	11	979	861
Debtors	12	7,840	4,402
Investments		-	300
Cash at bank and in hand		109	316
		<u>8,928</u>	<u>5,879</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(8,755)</u>	<u>(10,181)</u>
<b>Net current assets/(liabilities)</b>		<u>173</u>	<u>(4,302)</u>
<b>Total assets less current liabilities</b>		189,682	187,075
<b>Provisions for liabilities and charges</b>			
Deferred taxation	14	<u>(6,027)</u>	<u>(4,263)</u>
<b>Net assets</b>		<u>183,654</u>	<u>182,812</u>
<b>Capital and reserves</b>			
Called up share capital	15	2,862	2,862
Share premium account	16	3,128	3,128
Revaluation reserve	16	137,424	137,392
Other reserves	16	24,611	24,611
Profit and loss account	16	15,630	14,820
<b>Total equity shareholders' funds</b>		<u>183,655</u>	<u>182,813</u>

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

Signed on behalf of the Board of Directors



JV Ceriale  
Director



# Claridge's 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 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.

These financial statements present information for the company as an individual undertaking and not a group. Consolidated financial statements have not been prepared as the company is itself a wholly owned subsidiary of a company registered in England and Wales.

#### 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.

#### 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 freehold and long-term leasehold properties. The cost of replacement of glass and china and other certain 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 freehold and 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 it is anticipated that they will 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

#### Turnover

Turnover excludes value added tax and is derived from UK operations.

# Claridge's Hotel Limited

## Notes to the accounts Year ended 31 December 2003

### 1. Accounting policies (continued)

#### Investment in subsidiaries

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

#### 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

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.

#### Stocks

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

#### Leasing

Assets acquired under finance leases are included under the relevant category of tangible fixed assets and depreciated accordingly. The capital element of future lease rentals payable is included as appropriate under creditors due within or after more than one year. The interest element of lease rentals is charged to the profit and loss account. 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 is recognised on an accruals basis.

### 2. Turnover

	2003 £'000	2002 £'000
Hotel, restaurant and ancillary business receipts	33,429	36,750

### 3. Information regarding directors and employees

	2003 No.	2002 No.
<b>Average monthly number of persons employed (excluding directors)</b>		
Hotel and administration	336	318
	£'000	£'000
<b>Staff costs during the year (excluding directors)</b>		
Wages and salaries	5,819	6,158
Social security costs	531	494
Pension costs	116	111
	6,466	6,763

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

# Claridge's Hotel Limited

## Notes to the accounts Year ended 31 December 2003

### 4. Operating profit

	2003 £'000	2002 £'000
Operating profit is stated after charging:		
Operating leases:		
Plant and machinery	29	36
Other assets	37	30
Auditors' remuneration – audit services	15	15
Depreciation – owned assets	1,498	1,538

### 5. Profit on sale of current asset investment

The company sold its current asset investment to another group company at an estimate of market value (£1.2m) realising a profit of £0.9m.

### 6. Interest receivable and similar income

	2003 £'000	2002 £'000
Dividends from investments	600	48

### 7. Dividends

	2003 £'000	2002 £'000
Dividends paid to immediate parent	12,000	-

### 8. Tax (charge)/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 (charge)/credit		
Timing differences: origination and reversal		
Current year	285	191
Adjustment in respect of prior years	(2,485)	383
Increase/(decrease) in discount		
Current year	9	101
Adjustment in respect of prior years	427	(83)
<b>Tax (charge)/credit on profit on ordinary activities</b>	<b>(1,764)</b>	<b>592</b>

# Claridge's Hotel Limited

## Notes to the accounts

### Year ended 31 December 2003

#### 8. Tax (charge)/credit on profit on ordinary activities (continued)

##### 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	14,574	15,699
Tax at 30% thereon:	4,372	4,710
Effect of:		
Capital allowances in excess of qualifying depreciation	285	191
Group relief received for nil consideration	(4,348)	(5,015)
Non qualifying depreciation	164	140
Capitalised tax deductible expenses	(23)	(26)
Non taxable gain on disposal of investments	(270)	-
Dividend income from investments	(180)	-
Current tax charge for the period	-	-

##### 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 £34.8m.

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 £1m.

# Claridge's Hotel Limited

## Notes to the accounts Year ended 31 December 2003

### 9. Tangible fixed assets

	Freehold £'000	Leasehold short-term £'000	Assets under course of construction £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
<b>Cost or valuation</b>					
At 1 January 2003	178,263	10	74	23,114	201,461
Additions	121	-	170	317	608
Reclassification	-	-	(74)	74	-
At 31 December 2003	178,384	10	170	23,505	202,069
<b>Accumulated depreciation</b>					
At 1 January 2003	-	10	-	11,202	11,212
Charge for the year	-	-	-	1,498	1,498
At 31 December 2003	-	10	-	12,700	12,710
<b>Net book value</b>					
At 31 December 2003	178,384	-	170	10,805	189,359
At 31 December 2002	178,263	-	74	11,912	190,249

The hotel property which the company occupies is carried at the value attributed to it at 31 December 1998 as adjusted for any additions at historic cost.

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

### 10. Investment in subsidiaries

	2003 £'000	2002 £'000
<b>At cost and net book value</b>		
At 1 January 2003	150	1,128
At 31 December 2003	150	1,128

During the year some of the company's investments in subsidiaries were transferred to other group undertakings at their carrying value. The remaining subsidiary companies are:

Subsidiary undertaking	Country of incorporation	Activity	Shareholding
Claridge's Hotel (42000) Ltd	Great Britain	Dormant Company	100%
Edward Goodyear Ltd	Great Britain	Dormant Company	100%

# Claridge's Hotel Limited

## Notes to the accounts Year ended 31 December 2003

### 11. Stocks

	2003 £'000	2002 £'000
Raw materials and consumables	979	861

### 12. Debtors

	2003 £'000	2002 £'000
Trade debtors	2,497	3,140
Other debtors	204	1,000
Amounts owed by group companies	4,882	-
Prepayments and accrued income	257	262
	<u>7,840</u>	<u>4,402</u>

### 13. Creditors: amounts falling due within one year

	2003 £'000	2002 £'000
Trade creditors	1,653	1,563
Amounts owed to group companies	4,944	5,603
Other taxes and social security	1,267	1,487
Other creditors	196	189
Accruals and deferred income	696	1,339
	<u>8,756</u>	<u>10,181</u>

### 14. Deferred tax

	2003 £'000	2002 £'000
Movement in deferred tax provision		
Provision at 1 January 2003		(4,263)
Charge to the profit and loss account		(1,764)
At 31 December 2003		<u>(6,027)</u>
Analysis of deferred tax balance		
Capital allowances in excess of depreciation	(7,740)	(5,541)
Short term timing differences	-	2
Undiscounted provision for deferred tax	<u>(7,740)</u>	<u>(5,539)</u>
Discount on timing differences	1,713	1,276
Discounted provision for deferred tax	<u>(6,027)</u>	<u>(4,263)</u>

# Claridge's Hotel Limited

## Notes to the accounts Year ended 31 December 2003

### 15. Called up share capital

	2003 £'000	2002 £'000
<b>Authorised:</b>		
50,000,000 ordinary shares of 10p each	5,000	5,000
<b>Called up, allotted and fully paid</b>		
28,615,873 ordinary shares of 10p each	2,862	2,862

### 16. Reserves

	Share premium £'000	Revaluatio n reserve £'000	Other reserves £'000	Profit and loss account £'000	Total £
At 1 January 2003	3,128	137,392	24,611	14,820	179,951
Retained profit for the year	-	-	-	810	810
Revaluation adjustment on subsidiary undertakings	-	32	-	-	32
At 31 December 2003	3,128	137,424	24,611	15,630	180,793

### 17. Reconciliation of movement in shareholders' funds

	2003 £'000	2002 £'000
Profit for the financial year	12,810	16,291
Dividends paid	(12,000)	-
Revaluation adjustment on subsidiary undertakings	32	-
Net increase in shareholders' funds	842	16,291
At 1 January 2003	182,812	166,521
At 31 December 2003	183,654	182,812

# Claridge's Hotel Limited

## Notes to the accounts Year ended 31 December 2003

### 18. Capital commitments

	2003 £'000	2002 £'000
Capital commitments (land and buildings):		
Contracted but not provided for in the accounts	240	260

### 19. Operating lease commitments

At 31 December 2003 the company was committed to making the following payments during the next year in respect of operating leases:

	2003 £'000	2002 £'000
Operating lease commitments (land and buildings)		
Expiring:		
- within one year	-	37
Operating lease commitments (other assets)	-	37
Expiring:		
- within one year	16	1
- in two to five years	15	29
	31	30
Annual commitments under non-cancellable leases	31	67



# **Claridge's Hotel Limited**

## **Notes to the accounts**

**Year ended 31 December 2003**

### **20. Pensions and similar obligations**

Claridge's 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 directors are unable to identify Claridge's 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 accounts of Blackstone Hotel Acquisitions Company.

### **21. 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.

### **22. Ultimate parent company**

At 31 December 2003, the company's immediate parent company was Claridge's Hotel Holdings Limited, a company incorporated in Great Britain and registered in England and Wales. 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 smallest group in which the results of the company are consolidated is headed by Blackstone Hotel Acquisitions Company, an unlimited company incorporated in Great Britain and registered in England and Wales. 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.