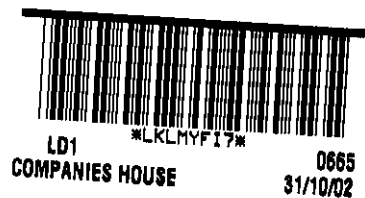


The Ritz Hotel (London) Limited
(Registered Number 64203)

Report and Financial Statements
31 December 2001



The Ritz Hotel (London) Limited

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The Ritz Hotel (London) Limited

Directors' Report for the year ended 31 December 2001

The Directors present their report and the audited financial statements for the year ended 31 December 2001.

Principal activities

The Company owns The Ritz Hotel and Casino premises in London and operates the hotel.

Review of business and results

The Hotel made an operating profit on ordinary activities, before property depreciation and finance charges, of £4.6 million (2000: £7.4 million). The results were adversely affected by the foot and mouth epidemic, the events of September 11 and the generally deteriorated economic conditions worldwide causing a reduction in turnover by £2.5 million from £19.8 million to £17.3 million in 2001.

In spite of adverse trading conditions in the second half of the year the Hotel continued with its refurbishment program. The vastly improved quality of the facilities coupled with the opening of the Rivoli Bar should assist in improving the trading results in the future.

The Ritz Hotel is carried in the financial statements at 31 December 2001, after accumulated depreciation, at £117.3 million. In June 2001 Jones Lang Lasalle Limited, Chartered Surveyors, valued the hotel in the region of £150 million on an open market basis. The Directors believe that, in the event that the hotel was placed on the open market for sale, taking into account its freehold tenure, the location, the refurbished condition and the unique Ritz brand name, it could attract a buyer at a price in the order of £175 million.

In July 2000 an independent professional valuation of the rental stream arising from The Ritz Club casino lease operations from the basement of the Ritz Hotel, was carried out resulting in a valuation of £25 million.

A pro-forma balance sheet incorporating these valuations is summarised as follows:

	2001 £'000	2000 £'000
Fixed assets	200.0	200.0
Net current assets	0.5	2.0
	200.5	202.0
Less: Bank debt	(65.0)	(65.0)
	135.5	137.0
Capital and reserves	108.0	109.0
Holding company loan	27.5	28.0
Shareholders' investment	135.5	137.0

The Ritz Hotel (London) Limited

Directors' Report

for the year ended 31 December 2001 (Continued)

Proposed dividend and transfer to reserves

The Directors do not recommend the payment of a dividend for the year ended 31 December 2001 (2000: NIL). The loss of £2,403,000 (2000: profit £178,000), has been transferred to reserves.

Directors

The Directors of the Company during the year ended 31 December 2001, were:

A.S. Barclay	(Chairman)
G.R.C. Shepard	(Appointed Deputy Chairman)
L. Delafosse	(Appointed board director and Managing Director 5 July 2001)
D.V. Barclay	
M.P. Day	
R.K. Mowatt	
M. Seal	

The directors do not have any interest required to be disclosed under Schedule 7 of the Companies Act 1985.

Employees

The Company has held regular meetings with representatives of its employees at which matters of concern to the employees have been discussed and at which the views of these representatives have been obtained. It is company policy to provide, wherever possible, employment opportunities to disabled persons as to others. In the event of an employee becoming disabled every effort is made to ensure that employment with the Company continues and appropriate training is arranged

Statement of directors' responsibilities

The Directors are required by U.K. company law to prepare financial statements for each financial period 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 for that period.

In preparing those financial statements the Directors are required to:

- a) Select suitable accounting policies and then apply them consistently.
- b) Make judgements and estimates that are reasonable and prudent.
- c) State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- d) Prepare the financial statements on a 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, and for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Ritz Hotel (London) Limited

Directors' Report for the year ended 31 December 2001 (Continued)

Auditors

In accordance with S386 of the Companies Act 1985 the Company has elected to dispense with the annual appointment of auditors.

By Order of the Board
For and on behalf of
BROOMFIELD SECRETARIAL SERVICES LIMITED



Company Secretary

12/6/02

Independent Auditors Report To The Members Of The Ritz Hotel (London) Limited

We have audited the financial statements on pages 6 to 16, which have been prepared in accordance with the historical cost convention and the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 to you 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

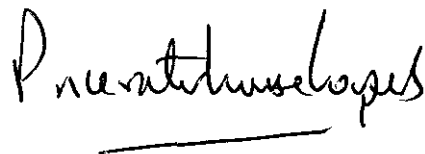
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 at 31 December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

19 June 2002



The Ritz Hotel (London) Limited

Profit and Loss Account for the year ended 31 December 2001

	<i>Note</i>	2001 £'000	2000 £'000
Turnover		17,305	19,817
Cost of sales		(8,363)	(8,654)
Gross profit		8,942	11,163
Administration expenses		(6,126)	(5,315)
Other operating income		1,750	1,571
Operating profit on ordinary activities before property depreciation and finance charges	2	4,566	7,419
Property depreciation	7	(2,677)	(2,564)
Finance charges	5	(4,292)	(4,677)
(Loss)/profit on ordinary activities before taxation		(2,403)	178
Tax on profit on ordinary activities	6	-	-
(Loss)/profit on ordinary activities after taxation and retained (loss)/profit for the financial year		(2,403)	178
Profit and loss account as 1 January 2001		(297)	(475)
Profit and loss account at 31 December 2001		(2,700)	(297)

All activities are classified as continuing.

The Company has no recognised gains or losses other than the loss for this financial year, and accordingly a statement of total recognised gains and losses has not been prepared.

The Ritz Hotel (London) Limited

Note of historical cost profit and losses

	2001 £'000	2000 £'000
Reported (loss)/profit on ordinary activities before taxation	(2,403)	178
Difference between a historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount:		
Historical cost	(3,461)	(3,210)
New depreciation	4,008	3,758
Difference between historical cost depreciation and the actual charge for the year	547	548
Historical cost (loss)/profit on ordinary activities before taxation	(1,856)	726

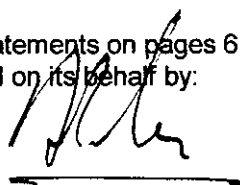
The Ritz Hotel (London) Limited

Balance sheet at 31 December 2001

	Notes	2001 £'000	£'000	2000 £'000	£'000
Fixed Assets					
Tangible assets	7		117,963		119,418
Current assets					
Stock	9	760		869	
Debtors	10	719		795	
Cash at bank and in hand		322		1,513	-
		1,801		3,177	
Creditors: amounts falling due within one year					
	11	(1,752)		(1,721)	
Net current assets			49		1,456
Total assets			118,012		120,874
Creditors: amounts falling due after more than one year					
	12		(64,847)		(64,806)
Holding company loan	13		(27,500)		(28,000)
Net assets			25,665		28,068
Capital and reserves					
Called up share premium	15		1,000		1,000
Revaluation reserve	16		27,365		27,365
Profit and loss account	17		(2,700)		(297)
Equity shareholders' funds			25,665		28,068

The financial statements on pages 6 to 16 were approved by the board of directors on 12th June 2002 and were signed on its behalf by:





Directors

The Ritz Hotel (London) Limited

Notes to the Financial Statements for the year ended 31 December 2001

1 Principal Accounting Policies

a) Basis Of Preparation

The accounts are prepared in accordance with applicable Accounting Standards under the historical cost convention modified by the revaluation of certain land and buildings. The more important accounting policies of the Company which have been applied consistently are set out below.

The Company has taken advantage of the exemption from preparing a cash flow statement conferred by Financial Reporting Standard No. 1 (Revised) and of the exemption from disclosing related party transactions under Financial Reporting Standard No. 8 on the grounds that the Company is a wholly owned subsidiary of a parent undertaking registered in England and Wales whose consolidated financial statements are publicly available.

b) Tangible Fixed Assets

No depreciation is provided on freehold land. The Company now separates its properties into components where they have significantly different useful economic lives. Depreciation is provided on all tangible fixed assets, other than land, on a straight line basis as follows:

Freehold and long leasehold properties	up to 50 years
Furniture, fittings, equipment and motor vehicles	4 to 15 years

The stock of china, cutlery, glass linen and silverware is treated on a renewal basis for accounting purposes.

c) Deferred Taxation

Provision is made for deferred tax at the rate of corporation tax ruling at the date when the timing differences are expected to reverse (the liability method), except in respect of any timing differences which are unlikely to result in a tax liability in the foreseeable future.

d) Turnover

Turnover which excludes value added tax, comprises the Company's income from the operation of its hotel.

e) Stocks

Stocks are valued at the lower of cost, determined on a weighted average basis, and net realisable value. Provision is made for obsolete, slow moving and defective stock.

The Ritz Hotel (London) Limited

Notes to the Financial Statements for the year ended 31 December 2001 (Continued)

1 Principal Accounting Policies (Continued)

f) Foreign Currency Conversion

Trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transaction is completed. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date.

Exchange gains and losses arising from trading transactions are included in operating profit. Exchange gains or losses arising from financing transactions are included in investment income or finance charges, as appropriate.

g) Financing costs

Arrangement fees and other issue costs incurred as a result of entering into loan and other facilities are expensed over the length of the related loan or facility.

2 Operating Profit

	2001 £'000	2000 £'000
Operating profit is stated after charging:		
Auditors' remuneration for audit services	17	15
Depreciation of tangible fixed assets	4,008	3,758

3 Directors' Emoluments

Five of the Directors were paid by other group companies for their services as a whole and no specific allocation of their remuneration has been made in respect of this Company. Their emoluments are therefore not included in the disclosure below.

	2001 £'000	2000 £'000
Aggregate emoluments including benefits in kind	216	126

The Ritz Hotel (London) Limited

Notes to the Financial Statements for the year ended 31 December 2001 (Continued)

4 Employee Information

- a) The average number of persons employed by the Company (excluding Executive Directors) during the period is analysed below:-

	2001 £'000	2000 £'000
Selling and distribution	262	273
Administration	11	11
	273	284

- b) The aggregate payroll costs of these persons was as follows:

	2001 £'000	2000 £'000
Wages and salaries	4,667	4,595
Social security costs	415	420
Pension costs	125	28
	5,207	5,043

The pension costs represents contributions payable by the Company to a personal pension scheme approved under the Stakeholder pensions rules.

5 Finance Charges

	2001 £'000	2000 £'000
Interest payable on loans:		
Wholly repayable within five years not by instalments	4,350	4,769
Bank interest receivable	(58)	(92)
	4,292	4,677

6 Taxation On Ordinary Activities

The results for the period did not give rise to any liability for corporation tax (2000: Nil)

The Ritz Hotel (London) Limited

Notes to the Financial Statements for the year ended 31 December 2001 (Continued)

7 Tangible Fixed Assets

	Freehold Land and Buildings £'000	Long Leasehold land and building £'000	Plant and Equipment £'000	Total £'000
Cost or valuation				
At 1 January 2001	117,952	273	8,040	126,265
Additions	1,995	-	558	2,553
At 31 December 2001	119,947	273	8,598	128,818
Depreciation				
At 1 January 2001	4,180	5	3,337	7,522
Charge for period	2,672	5	1,331	4,008
At 31 December 2001	6,852	10	4,668	11,530
Net book value				
At 31 December 2001	113,095	263	3,930	117,288
Stock of china, silverware, cutlery glass, maintenance materials and linen at cost or valuation				675
				117,963
At 31 December 2000	113,772	268	4,703	118,743
Stock of china, silverware, cutlery glass, maintenance materials and linen at cost or valuation				675
				119,418

Plant and equipment includes fixtures and fittings, machinery and computer equipment.

As at 31 December 1996, Jones Lang Lasalle, Chartered Surveyors who are external valuers, valued on an existing use basis the freehold and leasehold hotel and premises. The Directors incorporated this valuation in the financial statements at 31 December 1996. In June 2001 Jones Lang Lasalle valued the Hotel in the region of £150 million on an open market basis but this has not been incorporated into the accounts.

The provisions of FRS 15, "Tangible Fixed Assets", are being followed, whereby the valuation of tangible fixed assets does not need to be updated and the previous valuations are maintained.

The Ritz Hotel (London) Limited

Notes to the Financial Statements for the year ended 31 December 2001 (Continued)

7 Tangible Assets – Company (Continued)

The historical costs of freehold and long leasehold land and buildings carried at valuation are set out below:

	£'000
Cost	92,855
Accumulated depreciation	(5,768)
Net book value	87,087

8 Investments In Associated Undertakings

	2001 £'000	2000 £'000
At cost less amounts written-off (cost £305,000)	Nil	Nil

The associated undertaking is Ritz Products (UK) Limited, a company incorporated in Great Britain, and registered in England and Wales, in which the company holds a 50% interest. The Company promotes products bearing the "Ritz" name. Details of the associated company's issued share capital are as follows:

	Percentage held
305,000 £1 "A" Ordinary shares	100%
305,000 £1 "B" Ordinary shares	Nil

The Company is exempt under section 228 of the Companies Act 1985 from the obligation to prepare group accounts and to deliver them to the Registrar of Companies. The ultimate parent company is disclosed in note 19.

The voting rights for fully paid "A" Ordinary Shares are equal to those attaching to the "B" Ordinary shares held by Ritz (Paris) Holdings Limited.

The Ritz Hotel (London) Limited

Notes to the Financial Statements for the year ended 31 December 2001 (Continued)

9 Stocks

	2001 £'000	2000 £'000
Raw materials and consumables	19	21
Finished goods and goods for resale	741	848
	760	869

10 Debtors

	2001 £'000	2000 £'000
Trade debtors	318	469
Amounts owing by associated undertakings	60	80
Other debtors	67	40
Prepayments and accrued income	274	206
	719	795

11 Creditors: Amounts Falling Due Within One Year

	2001 £'000	2000 £'000
Trade creditors	992	707
Taxation and social security	154	352
Accruals and deferred income	606	662
	1,752	1,721

12 Creditors: Amounts Falling Due After More Than One Year

	2001 £'000	2000 £'000
Bank loan	64,847	64,806

The bank loan is secured by legal charges over the land and buildings of the Company and bears interest at a rate related to LIBOR plus 1% and is repayable in 2003.

The Ritz Hotel (London) Limited

Notes to the Financial Statements for the year ended 31 December 2001 (Continued)

13 Holding Company Loan

There are no fixed terms for repayment of the amount owed to the holding company which is non interest bearing. The Directors of the holding company have stated that it is not intended that any of the balance will be called for repayment unless the Company's assets are sold.

14 Deferred Taxation

No provision has been made for deferred tax on accelerated capital allowances or on the revaluation of properties due to the availability of group relief for nil consideration and since any gains will be sheltered by acquisitions made by group companies.

15 Share Capital

2001 and 2000
£'000

Authorised, allotted and fully paid 1,000,000 Ordinary shares of £1 each	1,000
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16 Revaluation Reserve

The revaluation reserve arises as a consequence of carrying the land and buildings at their valuation as described in note 7.

£'000

At 1 January 2001 and 31 December 2001	27,365
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17 Profit And Loss Account

2001
£'000

At 1 January 2001	(297)
Loss for the financial year	(2,403)
At 31 December 2001	(2,700)

18 Pensions

With effect from 1 January 2001 the Company has established a personal pension scheme approved under the Stakeholder pensions rules. The contributions made by the Company for year amounted to £125,000 (2000: £28,000).

The Ritz Hotel (London) Limited

Notes to the Financial Statements for the year ended 31 December 2001 (Continued)

19 Reconciliation Of Movement in Shareholders' Funds

	2001 £'000	2000 £'000
(Loss)/profit for the year	(2,403)	178
Opening shareholders' funds	28,068	27,890
Closing shareholders' funds	25,665	28,068

20 Related Party Transactions

The Ritz Hotel Casino Limited, a fellow subsidiary, paid the Company rental expense of £1,687,500 (2000: £1,500,000) and service charges of £47,000 (2000: £47,000). It also purchased food and beverages from the Company on an arms length basis of £297,000 (2000: £370,000).

During the year the Company granted Ritz London Limited, a fellow subsidiary, rent free use of a shop within The Ritz Hotel. A new lease of the premises has been entered into with effect from 1 January 2002 at a rent of £50k per annum.

The Company has taken advantage of the exemptions available in Financial Reporting Standard 8, "Related Party Transactions" not to disclose related party transactions and balances with wholly owned fellow subsidiaries.

21 Ultimate Holding Company

The Company is controlled by its holding company, Ellerman Investments Limited, a company registered in England and Wales. The directors regard B.I. Limited, a company incorporated in Bermuda and ultimately controlled by Sir David Barclay and Sir Frederick Barclay, as the ultimate holding company. The holding company's financial statements are available at 3rd floor 20, St. James's Street, London SW1A 1ES.