

Company Registration No. 3558968

BRE/SAVOY ACQUISITION COMPANY
(An unlimited company)

Report and Consolidated Financial Statements
31 December 1999

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



BRE/SAVOY ACQUISITION COMPANY

REPORT AND FINANCIAL STATEMENTS 1999

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BRE/SAVOY ACQUISITION COMPANY

REPORT AND FINANCIAL STATEMENTS 1999

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J Z Kukral
T J Barrack Jr.
J D Gray
J V Ceriale

SECRETARY

J D Gray

REGISTERED OFFICE

1 Savoy Hill
London
WC2R 0BP

AUDITORS

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

BRE/SAVOY ACQUISITION COMPANY

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1999.

ACTIVITIES

The principal activity of the group is the ownership of hotels and restaurants.

REVIEW OF DEVELOPMENTS

On 5 January 1999, the group was restructured such that each hotel was owned by a separate subsidiary.

The profit for the year before interest, tax and depreciation is £47.8 million. The profit and loss account is shown on page 5.

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

DIVIDENDS

The directors do not recommend a dividend (1998: £nil).

DIRECTORS AND THEIR INTERESTS

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

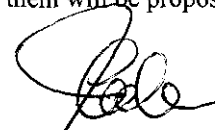
J Z Kukral	(United States)
T J Barrack Jr.	(United States)
J D Gray	(United States)
J V Ceriale	(United States)

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.



J V Ceriale
On behalf of the Board

25 January 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 and of the group as at the end of the financial year and of the profit or loss of the group for that year. 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 group 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 of the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BRE/SAVOY ACQUISITION COMPANY

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 18 which have been prepared under the accounting policies set out on pages 9 and 10.

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 standards. 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 and group'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 and the group as at 31 December 1999 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and
Registered Auditors

25 January 2001

1 Little New Street
London EC4A 3TR

BRE/SAVOY ACQUISITION COMPANY

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 December 1999

	Note	1999		Period 3 April 1998 to 31 December 1998			
		Continuing operations £'000	Discontinued operations £'000	Total 1999 £'000	Continuing operations 1999 £'000	Discontinued operations 1999 £'000	Total 1999 £'000
TURNOVER	2	120,578	1,717	122,295	69,418	991	70,409
Cost of sales	4	(74,573)	(2,258)	(76,831)	(41,403)	(1,192)	(42,595)
Gross profit		46,005	(541)	45,464	28,015	(201)	27,814
Administration expenses		(6,415)	(12)	(6,427)	(2,713)	(64)	(2,777)
OPERATING PROFIT		39,590	(553)	39,037	25,302	(265)	25,037
Profit on sale of business	24			2,379			1,588
Interest receivable				315			211
Interest payable and similar charges	5			(42,311)			(23,507)
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION				(580)			3,329
Tax on (loss) / profit on ordinary activities	6			754			(1,363)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION				174			1,966
Retained profit brought forward				1,966			-
Retained profit carried forward	19			2,140			1,966

Trading commenced in Blackstone Hotel Acquisition Company on 26 May 1998 on completion of the acquisition of The Savoy Hotel Plc.

There are no recognised gains or losses other than as disclosed above.

BRE/SAVOY ACQUISITION COMPANY

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS Year ended 31 December 1999

	Note	1999 £'000	1998 £'000
Profit for the financial period	19	174	1,966
Share capital issued	18	-	140,000
Net addition to shareholders' funds		<u>174</u>	<u>141,966</u>
Opening shareholders funds		141,966	-
Closing shareholders funds		<u><u>142,140</u></u>	<u><u>141,966</u></u>

BRE/SAVOY ACQUISITION COMPANY

BALANCE SHEETS
31 December 1999

	Note	Group £'000	1999 Company £'000	Group £'000	1998 Company £'000
FIXED ASSETS					
Intangible assets – negative goodwill	8	(14,053)	-	(14,053)	-
Tangible assets	9	597,809	-	591,410	-
Investment in subsidiary	10	-	140,000	-	140,000
		<u>583,756</u>	<u>140,000</u>	<u>577,357</u>	<u>140,000</u>
CURRENT ASSETS					
Stocks	11	3,650	-	3,204	-
Debtors	13	13,980	2,281	13,820	3,667
Investments	12	300	-	6,400	-
Cash at bank and in hand		2,031	-	4,911	-
		<u>19,961</u>	<u>2,281</u>	<u>28,335</u>	<u>3,667</u>
CREDITORS: amounts falling due Within one year	14	<u>(34,360)</u>	<u>(2,281)</u>	<u>(37,112)</u>	<u>(3,667)</u>
NET CURRENT LIABILITIES		<u>(14,399)</u>	<u>-</u>	<u>(8,777)</u>	<u>-</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>569,357</u>	<u>140,000</u>	<u>568,580</u>	<u>140,000</u>
CREDITORS: amounts falling due after more than one year	16	(427,017)	-	(426,411)	-
PROVISIONS FOR LIABILITIES AND CHARGES	17	(200)	-	(203)	-
		<u>142,140</u>	<u>140,000</u>	<u>141,966</u>	<u>140,000</u>
CAPITAL AND RESERVES					
Called up share capital	18	140,000	140,000	140,000	140,000
Profit and loss account	19	2,140	-	1,966	-
Equity shareholders' funds		<u>142,140</u>	<u>140,000</u>	<u>141,966</u>	<u>140,000</u>

These financial statements were approved by the Board of Directors on 25 January 2001.

Signed on behalf of the Board of Directors



JV Ceriale

Director

BRE/SAVOY ACQUISITION COMPANY

CONSOLIDATED CASH FLOW STATEMENT
31 December 1999

	Note	1999 £'000	1998 £'000
Net cash inflow from operating activities	21	46,100	22,438
Returns on investments and servicing of finance			
Interest received		315	211
Interest paid		(33,539)	(17,621)
Interest element of finance leases		(66)	(43)
Net cash outflow from returns on investments and servicing of finance		(33,290)	(17,453)
Taxation			
Taxation paid		(1,406)	(2,086)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(13,781)	(6,472)
Cash received on sale of tangible fixed assets		331	-
Net cash outflow from capital expenditure and financial investment		(13,450)	(6,472)
Acquisitions and disposals			
Purchase of subsidiary undertaking	25	-	(536,349)
Net cash acquired with subsidiary		-	1,404
Net sale proceeds from Lancaster Hotel		-	2,024
Net sale cost of laundry business		(253)	-
		(253)	(532,921)
Net cash outflow before financing		(2,299)	(536,494)
Financing			
Issue of ordinary share capital	18	-	140,000
(Repayment to) / advance from ultimate parent entity		(1,386)	3,667
Bank and other loans		1,235	426,905
Repayment of loans		-	(28,925)
Capital element of finance lease repayments		(430)	(242)
Net cash inflow from financing		(581)	541,405
(Decrease) / increase in cash	22	(2,880)	4,911

NOTES TO THE ACCOUNTS

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 and consolidation

These accounts have been prepared on the historical cost basis of accounting, as modified by the revaluation of certain assets. The consolidated financial statements incorporate the financial statements of the company and its subsidiary undertakings for the year ended 31 December 1999.

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

Fixed assets

Expenditure on development of the group's hotels and restaurants, including major replacement and improvement of assets and re-equipment and modernisation of hotel rooms and other facilities, 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 certain other loose equipment of hotels and restaurants is charged to revenue in the year in which it is incurred. Hotels will be valued by external valuers on a regular basis.

Depreciation

Having regard to the high level of expenditure on general maintenance, the long anticipated lives and high residual values of the Group'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 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.

No depreciation is charged on antiques as they are maintained in good condition and they are not expected to reduce in value.

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

Depreciation of other tangible fixed 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 sales between the hotels and restaurants. All turnover is derived from UK operations.

Interest

Interest charges incurred in financing the restoration of our properties is not capitalised. All interest is charged against profits as it arises.

Goodwill

Negative goodwill arising on the acquisition of The Savoy Hotel Plc will be amortised through the profit and loss account in line with depreciation applied to freehold and long leasehold properties, or when such properties are sold. As noted above, depreciation is not currently being charged on these properties and therefore the negative goodwill balance is not being amortised.

NOTES TO THE ACCOUNTS

31 December 1999

1. ACCOUNTING POLICIES (continued)

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.

Exchange rates

Transactions in foreign currencies are converted at the market rate of exchange on the transaction date. Amounts held in foreign currencies at the balance sheet date are converted using the exchange rate at that date.

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.

Pensions and other post retirement benefits

Contributions to the Group'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 cost of providing post retirement benefits is recognised on an accruals basis.

Investments

Fixed asset investments are held at cost less provision for any impairment in value. Current asset investments are held at the lower of cost and net realisable value.

2. TURNOVER

	Turnover		Operating Profit		Net Assets	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Hotel, restaurant and ancillary services	121,481	69,973	38,992	25,058	137,861	137,327
Theatre ticket sales and ancillary services	814	436	45	(21)	4,279	4,639
	<u>122,295</u>	<u>70,409</u>	<u>39,037</u>	<u>25,037</u>	<u>142,140</u>	<u>141,966</u>

All turnover is derived from UK operations.

BRE/SAVOY ACQUISITION COMPANY

NOTES TO THE ACCOUNTS 31 December 1999

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999 £'000	1998 £'000
United Kingdom corporation tax at 30.25% (31%)	-	1,459
Deferred tax credit	(2)	(96)
Prior year corporation tax (credit) / charge	(752)	-
	<u>(754)</u>	<u>1,363</u>

7. RESULT FOR THE FINANCIAL PERIOD

The company did not trade during the year ended 31 December 1999. As permitted by Section 230 of the Companies Act 1985, a profit and loss account is not presented for the company.

8. INTANGIBLE ASSETS – NEGATIVE GOODWILL

	£'000
Cost	
At 1 January 1999	(14,053)
Additions	-
	<u>(14,053)</u>
At 31 December 1999	(14,053)
Net book value	
At 31 December 1999	<u>(14,053)</u>

BRE/SAVOY ACQUISITION COMPANY

**NOTES TO THE ACCOUNTS
31 December 1999**

9. TANGIBLE FIXED ASSETS

Group:	Freehold £'000	Leasehold long term £'000	Leasehold short term £'000	Assets under the course of contruction £'000	Fixtures, fittings, plant and machinery £'000	Total £'000
Cost or valuation						
At 1 January 1999	363,013	187,444	414	-	43,306	594,177
Additions	3,072	2,297	-	921	7,491	13,781
Disposals	(964)	-	-	-	(2,001)	(2,965)
At 31 December 1999	<u>365,121</u>	<u>189,741</u>	<u>414</u>	<u>921</u>	<u>48,796</u>	<u>604,993</u>
Accumulated depreciation						
At 1 January 1999	-	-	66	-	2,701	2,767
Charge for the year	-	-	31	-	6,381	6,412
Disposals	-	-	-	-	(1,995)	(1,995)
At 31 December 1999	<u>-</u>	<u>-</u>	<u>97</u>	<u>-</u>	<u>7,087</u>	<u>7,184</u>
Net book value						
At 31 December 1999	<u>365,121</u>	<u>189,741</u>	<u>317</u>	<u>921</u>	<u>41,709</u>	<u>597,809</u>
At 1 January 1999	<u>363,013</u>	<u>187,444</u>	<u>348</u>	<u>-</u>	<u>40,605</u>	<u>591,410</u>

Fixtures, fittings, plant and machinery includes assets held under finance leases with net book value of £693,000 (1998: £1,039,000). The depreciation charge for the period on these assets was £346,000 (1998: £258,000). The company does not own any fixed assets.

10. INVSTMENT IN SUBSIDIARY

The investment represents the company's holding of 100% of the share capital of Blackstone Hotel Acquisition Company, an unlimited company incorporated in Great Britain and registered in England and Wales. The investment is carried at cost.

11. STOCKS

	Group 1999 £'000	Group 1998 £'000
Raw materials and consumables	<u>3,650</u>	<u>3,204</u>

12. CURRENT ASSET INVESTMENTS

These principally relate to properties held as trading assets.

BRE/SAVOY ACQUISITION COMPANY

NOTES TO THE ACCOUNTS

31 December 1999

13. DEBTORS

	1999		1998	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade debtors	8,991	-	6,280	-
Amounts owed by parent entity	-	-	5,988	-
Amounts owed by subsidiary undertaking	-	2,281	-	3,667
Other debtors	4,049	-	516	-
Prepayments and accrued income	940	-	1,036	-
	<u>13,980</u>	<u>2,281</u>	<u>13,820</u>	<u>3,667</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999		1998	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank loans and overdrafts (see note 15)	3,111	-	2,906	-
Obligations under finance leases	424	-	430	-
Trade creditors	14,458	-	12,447	-
Amounts owed to parent entity	2,281	2,281	3,667	3,667
Corporation tax	3,223	-	5,657	-
Other taxes and social security	3,854	-	3,913	-
Other creditors	822	-	1,319	-
Accruals and deferred income	6,187	-	6,773	-
	<u>34,360</u>	<u>2,281</u>	<u>37,315</u>	<u>3,667</u>

15. LOANS AND OVERDRAFTS

	1999	1998
	Group £'000	Group £'000
Due within one year	3,111	2,906
Due between one and two years	3,336	2,963
Due between two and five years	423,306	362,649
Due after more than five years	-	60,000
	<u>429,753</u>	<u>428,518</u>

NOTES TO THE ACCOUNTS

31 December 1999

15. LOANS AND OVERDRAFTS (continued)

The Company's subsidiary company Blackstone Hotel Acquisitions Company ("BHAC") has obtained a senior credit facility of £275 million. The facility matures on 30 June 2003. Repayment of the loan will be made in quarterly instalments. The interest rate is LIBOR plus 1.125 per cent. BHAC also obtained a junior credit facility of £100.6 million. The facility matures on 30 June 2003. Repayment of the loan will be made in full on the maturity date. The interest rate is LIBOR plus 4 per cent.

Concurrently with the signing of these agreements, BHAC entered into an agreement to hedge its interest rate exposure in respect of an initial notional principal amount of £375.6 million, for a period ending on 30 June 2003. The interest rates for the senior and junior credit facilities were fixed at 7.66 per cent and 10.54 per cent, respectively.

BHAC entered into a credit agreement with BRE/Satellite L.P., a limited partnership which is the ultimate parent entity of the Group, for £60 million. The loan matures on 31 December 2004 and bears interest at 13.5 per cent. Repayment of the loan will be made in full on maturity.

The bank loans are the subject of fixed and floating charges over BHAC and its subsidiary companies' assets.

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1999 Group £'000	1998 Group £'000
Bank loans (see note 15)	362,150	365,612
Other loans with related entity (see note 15)	64,492	60,000
Obligations under finance leases (due within 5 years)	375	799
	<u>427,017</u>	<u>426,411</u>

17. DEFERRED TAX

The potential deferred tax liability is as follows:

	Provided		Unprovided	
	1999 Group £'000	1998 Group £'000	1999 Group £'000	1998 Group £'000
Capital allowances in advance of depreciation	200	203	12,482	12,576
Rolled over gains	-	-	4,803	3,015
Other timing differences	-	-	(307)	(2,331)
	<u>200</u>	<u>203</u>	<u>16,978</u>	<u>13,260</u>

The potential tax liability which might arise in the event of the disposal of the group's properties at the amount at which they are carried in the balance sheet is not quantified as the directors do not consider it will reverse in the foreseeable future since disposal of the properties is not contemplated.

In addition, as disposal is not contemplated, no provision has been made for the tax that would arise if the group sold its shares in its subsidiaries for their revalued amount.

BRE/SAVOY ACQUISITION COMPANY

NOTES TO THE ACCOUNTS

31 December 1999

18. CALLED UP SHARE CAPITAL

	1999	1998
	Group and	Group and
	Company	Company
	£'000	£'000
Authorised:		
250,000,000 ordinary shares of £1 each	250,000	250,000
Called up, allotted and fully paid:		
140,000,000 ordinary shares of £1 each	140,000	140,000

19. PROFIT AND LOSS ACCOUNT

	Group
	£'000
At 31 December 1998	1,966
Profit for the period	174
At 31 December 1999	2,140

20. FINANCIAL COMMITMENTS

	1999	1998
	£'000	£'000
Capital commitments:		
Contracted but not provided in the accounts	70	232
Operating lease commitments:		
Land and buildings expiring:		
- within one year	22	32
- in two to five years	66	111
- in more than five years	221	219
	309	362
Other assets expiring:		
- within one year	23	237
- in two to five years	184	85
	207	322
Annual commitments under non-cancellable leases	516	684

NOTES TO THE ACCOUNTS

31 December 1999

21. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	1999 £'000	1998 £'000
Operating profit	39,037	25,037
Depreciation charges	6,412	2,767
Loss on disposal of fixed assets	64	-
(Increase) / decrease in stock	(446)	410
Decrease in debtors	9,363	608
Decrease in creditors	(8,330)	(6,384)
Net cash inflow from operating activities	<u>46,100</u>	<u>22,438</u>

22. ANALYSIS OF NET DEBT

	As at 1 January 1999 £'000	Cash flow £'000	As at 31 December 1999 £'000
Cash at bank in hand	4,911	(2,880)	2,031
Debt due after one year	(425,612)	(1,030)	(426,642)
Debt due within one year	(2,906)	(205)	(3,111)
Finance leases	(1,229)	430	(799)
Total	<u>(424,836)</u>	<u>(3,685)</u>	<u>(428,521)</u>

23. RECONCILIATION OF MOVEMENT IN NET CASH FLOW TO MOVEMENT IN NET DEBT

	1999 £'000	1998 £'000
(Decrease) / Increase in cash in year	(2,880)	4,911
Cash inflow from increase in debt and lease financing	962	(397,738)
Loan and finance leases acquired	-	(30,738)
Amortisation of loan issue expenses	(1,767)	(1,271)
Movement in net debt	<u>(3,685)</u>	<u>(424,836)</u>
Opening net debt	(424,836)	-
Closing net debt	<u>(428,521)</u>	<u>(424,836)</u>

NOTES TO THE ACCOUNTS**31 December 1999****24. PROFIT ON SALE OF BUSINESS**

On 24 December 1999 the Group disposed of Savoy Laundry business. The profit on disposal has been calculated as follows.

	Savoy Laundry £'000
Net assets disposed of	1,321
Profit on disposal	2,379
	<hr/>
Proceeds on disposal	3,700
	<hr/> <hr/>
To be satisfied by:	
Cash	3,700
	<hr/> <hr/>

The consideration of £3.7m is due for payment in the year 2000 and is thus included in other debtors (note 13).

25. PENSIONS AND SIMILAR OBLIGATIONS

The Group's principal subsidiary operates one pension 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 Group actively encourages staff to join the scheme as it believes this is an important element of the remuneration package. The wages scheme which was a defined contribution scheme ceased in April 1997.

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, rate of increase in dividends and the rates of increase in pension and salaries. It was assumed the investment return would be 8½% per annum, dividends increase would be 4% per annum, salary increases would average 6% per annum and present and future pensions would increase at the rate of 4½% per annum.

At the date of the latest actuarial valuation, the market value of the assets of the schemes was £19.6 million and the actuarial value of the assets was sufficient to cover 119% of the benefits which have accrued to members, after allowing for expected future increases in earnings.

26. RELATED PARTY DISCLOSURE

The Group is exempt under the provisions of Financial Reporting Standard 8 "Related Party Disclosures" from disclosing details of transactions with Group related parties.

27. ULTIMATE PARENT ENTITY

At 31 December 1999, the company's immediate and ultimate parent entity and controlling party is BRE/Satellite L.P., a Delaware limited partnership. Hence BRE/Savoy Acquisition Company is the smallest and largest group for which group accounts are prepared. Copies of its statutory accounts will be available from its registered office 1 Savoy Hill, London WC2R 0BP.