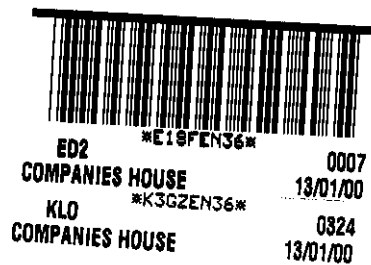


BRE/SAVOY ACQUISITION COMPANY
(An unlimited company)

Report and Consolidated Financial Statements
For the period from 30 April 1998
(date of incorporation) to 31 December 1998

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



REPORT AND FINANCIAL STATEMENTS 1998

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REPORT AND FINANCIAL STATEMENTS 1998

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 OBP

AUDITORS

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

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the period from 30 April 1998 (date of incorporation) to 31 December 1998.

ACTIVITIES

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

REVIEW OF DEVELOPMENTS

On 26 May 1998, the Group completed its acquisition of the entire share capital of The Savoy Hotel Plc (now named Claridge's Hotel Limited).

The profit for the period before interest, exceptional items, tax and depreciation is £27.8 million. The profit and loss account is shown on page 6.

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.

On 5 January 1999 the Group was restructured as described in note 27.

DIVIDENDS

The directors do not recommend a dividend.

DIRECTORS AND THEIR INTERESTS

The directors of the company at 31 December 1998, who have been directors for the whole period 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	(appointed 30 April 1998)
T J Barrack Jr.	(appointed 30 April 1998)
J D Gray	(appointed 30 April 1998)
J V Ceriale	(appointed 30 April 1998)

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.

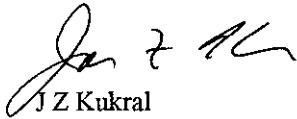
YEAR 2000 COMPLIANCE

The Group is working to address the computer problems generally referred to as year 2000 problems. Where areas of non-compliance have been identified they are being replaced as part of normal business upgrades. The costs of achieving year 2000 compliance cannot be separately identified and are not regarded as material as the compliance objective will be achieved through the upgrade of existing systems, or the installation of new systems, which is being done primarily for operational reasons, as well as achieving compliance.

DIRECTORS' REPORT

AUDITORS

The directors have appointed Deloitte & Touche as auditors for the 31 December 1998 audit. 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 Z Kukral
On behalf of the Board

17 December 1999

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 or loss of the company and Group 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 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 6 to 19 which have been prepared under the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial 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 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 1998 and of the profit of the Group for the period from 30 April 1998 (date of incorporation) to 31 December 1998 and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and
Registered Auditors

11 January 2000

1 Little New Street
London EC4A 3TR

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the period from 30 April 1998
(date of incorporation) to 31 December 1998

	Note	£'000
TURNOVER: acquired operations	2	70,409
Operating costs	4	(42,595)
		<hr/>
Gross profit		27,814
Depreciation	9	(2,767)
Administration expenses		(10)
		<hr/>
OPERATING PROFIT: acquired operations		25,037
Profit on sale of The Lancaster Hotel	24	1,588
Interest receivable		211
Interest payable and similar charges	5	(23,507)
		<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,329
Tax on profit on ordinary activities	6	(1,363)
		<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL PERIOD		1,966
Retained profit brought forward		-
		<hr/>
Retained profit carried forward	19	1,966
		<hr/> <hr/>

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.

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**For the period from 30 April 1998
(date of incorporation) to 31 December 1998**

	Note	£'000
Profit for the financial period	19	1,966
Share capital issued	18	<u>140,000</u>
Net addition to shareholders' funds		141,966
At 30 April 1998		<u>-</u>
At 31 December 1998		<u><u>141,966</u></u>

BRE/SAVOY ACQUISITION COMPANY

BALANCE SHEETS

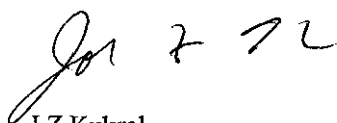
For the period from 30 April 1998

(date of incorporation) to 31 December 1998

	Note	Group £'000	Company £'000
FIXED ASSETS			
Intangible assets – negative goodwill	8	(14,053)	-
Tangible assets	9	591,410	-
Investment in subsidiary	10, 25	-	140,000
		<u>577,357</u>	<u>140,000</u>
CURRENT ASSETS			
Stocks	11	3,204	-
Properties held for resale	12	6,400	-
Debtors	13	13,820	3,667
Cash at bank and in hand		4,911	-
		<u>28,335</u>	<u>3,667</u>
CREDITORS: amounts falling due within one year	14	<u>(37,315)</u>	<u>(3,667)</u>
NET CURRENT LIABILITIES		<u>(8,980)</u>	<u>-</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		568,377	140,000
CREDITORS: amounts falling due after more than one year	16	<u>(426,411)</u>	<u>-</u>
		<u>141,966</u>	<u>140,000</u>
CAPITAL AND RESERVES			
Called up share capital	18	140,000	140,000
Profit and loss account	19	1,966	-
Equity shareholders' funds		<u>141,966</u>	<u>140,000</u>

These financial statements were approved by the Board of Directors on 17 December 1999.

Signed on behalf of the Board of Directors



J Z Kukral

Director

CONSOLIDATED CASH FLOW STATEMENT

For the period from 30 April 1998

(date of incorporation) to 31 December 1998

	Note	£'000
Net cash inflow from operating activities	21	<u>22,438</u>
Returns on investments and servicing of finance		
Interest received		211
Interest paid		(17,621)
Interest element of finance leases		<u>(43)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(17,453)</u>
Taxation		
Taxation paid		<u>(2,086)</u>
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets		<u>(6,472)</u>
Net cash outflow from capital expenditure and financial investment		<u>(6,472)</u>
Acquisitions and disposals		
Purchase of subsidiary undertaking	25	(536,349)
Net cash acquired with subsidiary		1,404
Net sale proceeds from Lancaster Hotel		<u>2,024</u>
		<u>(532,921)</u>
Net cash outflow before financing		<u>(536,494)</u>
Financing		
Issue of ordinary share capital	18	140,000
Advance from ultimate parent entity		3,667
Bank and other loans		426,905
Repayment of loans		(28,925)
Capital element of finance lease repayments		<u>(242)</u>
Net cash inflow from financing		<u>541,405</u>
Increase in cash	22	<u><u>4,911</u></u>

NOTES TO THE ACCOUNTS

For the period from 30 April 1998

(date of incorporation) to 31 December 1998

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

These accounts have been prepared on the historical cost basis of accounting, as modified by the revaluation of certain assets.

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 discussed above, depreciation is not currently being charged on these properties and therefore the negative goodwill balance is not being amortised.

BRE/SAVOY ACQUISITION COMPANY

NOTES TO THE ACCOUNTS

For the period from 30 April 1998

(date of incorporation) to 31 December 1998

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.

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 and properties held for resale

Fixed asset investments are held at cost less provision for permanent diminution in value. Properties held for resale are held at the lower of cost and net realisable value.

2. TURNOVER

	£'000
Hotel, restaurant and ancillary business receipts	69,973
Theatre ticket sales and ancillary services	436
	<hr/>
	70,409
	<hr/> <hr/>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	No.
Average number of persons employed	
Hotel and administration	1,816
	<hr/>
	1,816
	<hr/> <hr/>
	£'000
Staff costs during the period	
Wages and salaries	16,747
Social security costs	1,383
Pension costs	430
	<hr/>
	18,560
	<hr/> <hr/>

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

NOTES TO THE ACCOUNTS
For the period from 30 April 1998
(date of incorporation) to 31 December 1998

4. OPERATING COSTS

	£'000
Operating profit is after charging	
Raw materials and consumables	10,973
Staff costs (note 3)	18,560
Repairs and maintenance	1,317
Operating leases:	
Land and buildings	213
Other assets	110
Auditors' remuneration	49
	4
Other operating costs	11,369
Total operating costs	<u>42,595</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	£'000
Bank loans and overdrafts	17,621
Amortisation of loan issue expenses	1,271
Other loans	4,572
Finance leases and hire purchase contracts	43
	<u>23,507</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	£'000
United Kingdom corporation tax at 31%	1,459
Deferred tax credit	(96)
	<u>1,363</u>

The effective tax rate is higher than the standard rate of corporation tax principally as a result of timing differences which have not been equalised through deferred tax.

7. RESULT FOR THE FINANCIAL PERIOD

The company did not trade during the year ended 31 December 1998. As permitted by Section 230 of the Companies Act 1985, a profit and loss account is not presented for the company.

NOTES TO THE ACCOUNTS

For the period from 30 April 1998

(date of incorporation) to 31 December 1998

8. INTANGIBLE ASSETS – NEGATIVE GOODWILL

	£'000
Cost	
At 30 April 1998	-
Additions (see note 25)	(14,053)
At 31 December 1998	<u>(14,053)</u>
Net book value	
At 31 December 1998	<u>(14,053)</u>

9. TANGIBLE FIXED ASSETS

	Freehold £'000	Leasehold long term £'000	Leasehold short term £'000	Fixtures, fittings, plant and machinery £'000	Total £'000
Group:					
Cost or valuation					
At 30 April 1998	-	-	-	-	-
Acquired with Subsidiary	359,930	187,125	414	40,236	587,705
Additions	389	319	-	2,534	3,242
Work in progress	2,694	-	-	542	3,236
Disposals	-	-	-	(6)	(6)
At 31 December 1998	<u>363,013</u>	<u>187,444</u>	<u>414</u>	<u>43,306</u>	<u>594,177</u>
Accumulated depreciation					
At 30 April 1998	-	-	-	-	-
Charge for the period	-	-	66	2,701	2,767
At 31 December 1998	<u>-</u>	<u>-</u>	<u>66</u>	<u>2,701</u>	<u>2,767</u>
Net book value					
At 31 December 1998	<u>363,013</u>	<u>187,444</u>	<u>348</u>	<u>40,605</u>	<u>591,410</u>
At 30 April 1998	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Fixtures, fittings, plant and machinery includes assets held under finance leases with net book value of £1,039,000. The depreciation charge for the period on these assets was £151,000. The company does not own any fixed assets.

10. INVESTMENT IN SUBSIDIARY

	Company £'000
At 30 April 1998	-
Additions during year (see note 25)	140,000
At 31 December 1998	<u>140,000</u>

BRE/SAVOY ACQUISITION COMPANY

NOTES TO THE ACCOUNTS

For the period from 30 April 1998

(date of incorporation) to 31 December 1998

11. STOCKS

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

12. PROPERTIES HELD FOR RESALE

Properties held for resale principally relate to properties held as trading assets.

13. DEBTORS

	Group £'000	Company £'000
Trade debtors	6,280	-
Amounts owed by parent entity	5,988	-
Amounts owed by subsidiary undertaking	-	3,667
Other debtors	516	-
Prepayments and accrued income	1,036	-
	<u>13,820</u>	<u>3,667</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group £'000	Company £'000
Bank loans and overdrafts (see note 15)	2,906	-
Obligations under finance leases	430	-
Trade creditors	12,447	-
Amounts owed to parent entity	3,667	3,667
Corporation tax (including deferred tax)	5,860	-
Other taxes and social security	3,913	-
Other creditors	1,319	-
Accruals and deferred income	6,773	-
	<u>37,315</u>	<u>3,667</u>

Included above is a deferred tax liability of £203,000 in respect of accelerated capital allowances.

15. LOANS AND OVERDRAFTS

	Group £'000
Due within one year	2,906
Due between one and two years	2,963
Due between two and five years	362,649
Due after more than five years	60,000
	<u>428,518</u>

NOTES TO THE ACCOUNTS

For the period from 30 April 1998

(date of incorporation) to 31 December 1998

15. LOANS AND OVERDRAFTS (continued)

The Company's subsidiary company Blackstone Hotel Acquisitions Company ("BHAC") 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 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 this agreement, 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 a fixed and floating charge over BHAC and its subsidiary companies' assets.

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

	Group £'000
Bank loans (see note 15)	365,612
Other loans with related entity (see note 15)	60,000
Obligations under finance leases (due within 5 years)	799
	<u>426,411</u>

17. UNPROVIDED DEFERRED TAX

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

	Group £'000
Capital allowances in advance of depreciation	12,576
Other timing differences	(2,331)
	<u>10,245</u>

18. CALLED UP SHARE CAPITAL

	Group and Company £'000
Authorised	
250,000,000 ordinary shares of £1 each	<u>250,000</u>
Called up, allotted and fully paid	
Shares issued on incorporation (100 shares)	-
Shares issued in the period	<u>140,000</u>
140,000,000 ordinary shares of £1 each	<u>140,000</u>

All shares were issued for cash.

NOTES TO THE ACCOUNTS
For the period from 30 April 1998
(date of incorporation) to 31 December 1998

19. PROFIT AND LOSS ACCOUNT

	Group £'000
At 30 April 1998	-
Profit for the period	1,966
	<hr/>
At 31 December 1998	1,966
	<hr/> <hr/>

20. FINANCIAL COMMITMENTS

	£'000
Capital commitments:	
Contracted but not provided in the accounts	232
	<hr/>
Operating lease commitments:	
Land and buildings expiring:	
- within one year	32
- in two to five years	111
- in more than five years	219
	<hr/>
	362
	<hr/>
Other assets expiring:	
- within one year	237
- in two to five years	85
	<hr/>
	322
	<hr/>
Annual commitments under non-cancellable leases	684
	<hr/> <hr/>

21. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	£'000
Operating profit	25,037
Depreciation charges	2,767
Decrease in stock	410
Decrease in debtors	608
Decrease in creditors	(6,384)
	<hr/>
Net cash inflow from operating activities	22,438
	<hr/> <hr/>

NOTES TO THE ACCOUNTS

For the period from 30 April 1998

(date of incorporation) to 31 December 1998

22. ANALYSIS OF NET DEBT

	As at 30 April 1998 £'000	Cash flow £'000	As at 31 December 1998 £'000
Cash at bank in hand	-	4,911	4,911
Debt due after one year	-	(425,612)	(425,612)
Debt due within one year	-	(2,906)	(2,906)
Finance leases	-	(1,229)	(1,229)
	<u>-</u>	<u>(424,836)</u>	<u>(424,836)</u>
Total	<u>-</u>	<u>(424,836)</u>	<u>(424,836)</u>

All cash flows derive from acquired operations.

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

	£'000
Increase in cash in period	4,911
Cash inflow from increase in debt and lease financing	(397,738)
Loan and finance leases acquired	(30,738)
Amortisation of loan issue expenses	(1,271)
	<u>(424,836)</u>
Movement in net debt	(424,836)
Net debt at 30 April 1998	<u>-</u>
Net debt at 31 December 1998	<u>(424,836)</u>

24. SALE OF THE LANCASTER HOTEL

In 1995, The Savoy Hotel Plc sold The Lancaster Hotel. The balance sheet of The Savoy Hotel Plc acquired by the company on 26 May 1998 included a debtor in respect of this sale which had been fully provided against. Subsequent to the acquisition by the company, the action and negotiations of management proved successful and an additional cash settlement was received resulting in a net profit of £1.6 million.

NOTES TO THE ACCOUNTS**For the period from 30 April 1998****(date of incorporation) to 31 December 1998****25. SUBSIDIARY ACQUIRED IN THE PERIOD**

During the period, the Company subscribed for 140 million £1 ordinary shares of Blackstone Hotel Acquisition Company ('BHAC') representing 100% of that company's share capital. On 26 May 1998, BHAC acquired the entire share capital of The Savoy Hotel Plc (now named Claridge's Hotel Limited) for a total consideration of £536.3 million. The Savoy Hotel Plc owns a number of hotel properties in England and The Savoy Theatre Limited which owns the Savoy Theatre in London. The following table shows the book and provisional fair value of assets acquired:

	Book value £'000	Fair value adjustment £'000	Provisional fair value £'000
Tangible fixed assets	435,164	152,541	587,705
Stocks	3,614	-	3,614
Properties held for resale	6,100	-	6,100
Debtors	3,116	-	3,116
Cash	1,404	-	1,404
Loans/overdrafts	(28,925)	-	(28,925)
Creditors	(22,612)	-	(22,612)
	<u>397,861</u>	<u>152,541</u>	<u>550,402</u>
Negative goodwill			<u>(14,053)</u>
Consideration			<u>536,349</u>

The fair value adjustment relates to freehold and leasehold properties based on current market valuation.

The profit after tax of The Savoy Hotel Plc for prior periods were as follows:

	£'000
1 January 1998 to date of acquisition	<u>879</u>
Preceding financial year ended 31 December 1997	<u>18,799</u>

26. 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 1996. 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.

NOTES TO THE ACCOUNTS

For the period from 30 April 1998

(date of incorporation) to 31 December 1998

27. POST BALANCE SHEET EVENT

On 5 January 1999, the Group was restructured such that each hotel is now owned by a separate subsidiary. The Group now has a shareholding in the following companies:

Subsidiary undertaking	Country of incorporation and operation	Activity	Shareholding
Blackstone Hotel Acquisitions Company	Great Britain	Holding Company	100%
Claridge's Hotel Limited	Great Britain	Owens Claridge's Hotel	100% (indirect)
The Savoy Hotel Limited	Great Britain	Owens Savoy Hotel	100% (indirect)
The Berkeley Hotel Limited	Great Britain	Owens Berkeley Hotel	100% (indirect)
The Connaught Hotel Limited	Great Britain	Owens Connaught Hotel	100% (indirect)
The Lygon Arms Hotel Limited	Great Britain	Owens Lygon Arms Hotel	100% (indirect)
The Savoy Theatre Limited	Great Britain	Owens Savoy Theatre	100% (indirect)
The Savoy Management Services Limited	Great Britain	Management Services	100% (indirect)

28. 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.

Acquisition expenses of £6.2 million were paid to entities in which certain directors of the Group hold senior management positions.

29. ULTIMATE PARENT ENTITY

At 31 December 1998, 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.