

Company Registration No. 3558968

**BRE/SAVOY ACQUISITION COMPANY**  
(An unlimited company)

**Report and Consolidated Financial Statements**  
31 December 2000

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



**BRE/SAVOY ACQUISITION COMPANY**

**REPORT AND FINANCIAL STATEMENTS 2000**

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**BRE/SAVOY ACQUISITION COMPANY**

**REPORT AND FINANCIAL STATEMENTS 2000**

**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 2000.

### ACTIVITIES

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

### REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

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 £55.75m (1999: £47.8 million). The profit and loss account is shown on page 5.

The market conditions during 2001 have been more challenging and the group's performance has been adversely impacted. The events of September 11 had a significant impact on the group in the last quarter of 2001. The directors are confident of sustainable growth during 2002 and have continued to add new rooms to several of the hotels. To enable this capital work to continue the senior loan facility was increased by £20 million in December 2001 and the owners of the group have made available a further £20 million of equity.

### DIVIDENDS

In the year a dividend was paid to the amount of £3.62m (1999: £nil).

### DIRECTORS AND THEIR INTERESTS

The directors of the company at 31 December 2000, who have been directors for the whole year unless otherwise stated, are listed below. The directors do not hold any 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

24/1/ 2002

**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 2000 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte Touche*

Deloitte & Touche  
Chartered Accountants and  
Registered Auditors

*28 January* 2002

Hill House  
1 Little New Street  
London EC4A 3TR

**BRE/SAVOY ACQUISITION COMPANY**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

Year ended 31 December 2000

	Note	2000 £'000	Continuing operations 1999 £'000	Discontinued operations 1999 £'000	Total 1999 £'000
<b>TURNOVER</b>	2	130,283	120,578	1,717	122,295
Cost of sales		(75,559)	(74,573)	(2,258)	(76,831)
Gross profit		54,724	46,005	(541)	45,464
Administration expenses		(6,618)	(6,415)	(12)	(6,427)
<b>OPERATING PROFIT</b>	4	48,106	39,590	(553)	39,037
Profit on sale of business	24	-			2,379
Profit on sale of other fixed assets		1,056			-
Interest receivable		517			315
Interest payable and similar charges	5	(43,016)			(42,311)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		6,663			(580)
Tax credit on profit/(loss) on ordinary activities	6	3,595			754
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		10,258			174
Equity dividend paid		(3,618)			-
<b>RETAINED PROFIT FOR THE YEAR</b>		6,640			174
Retained profit brought forward		2,140			1,966
Retained profit carried forward	19	8,780			2,140

There are no recognised gains or losses other than as disclosed above, consequently no statement of total recognised gains and losses is prepared.

## BRE/SAVOY ACQUISITION COMPANY

### RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS Year ended 31 December 2000

	2000 £'000	1999 £'000
Profit for the financial period	10,258	174
Dividends	(3,618)	-
Net addition to shareholders' funds	<u>6,640</u>	<u>174</u>
Opening shareholders funds	<u>142,140</u>	<u>141,966</u>
Closing shareholders funds	<u><u>148,780</u></u>	<u><u>142,140</u></u>



**BRE/SAVOY ACQUISITION COMPANY**

**BALANCE SHEETS**

**31 December 2000**

	Note	2000		1999	
		Group £'000	Company £'000	Group £'000	Company £'000
<b>FIXED ASSETS</b>					
Intangible assets – negative goodwill	8	(14,053)	-	(14,053)	-
Tangible assets	9	610,683	-	597,809	-
Investment in subsidiary	10	-	140,000	-	140,000
		<u>596,630</u>	<u>140,000</u>	<u>583,756</u>	<u>140,000</u>
<b>CURRENT ASSETS</b>					
Stocks	11	3,720	-	3,650	-
Debtors	13	11,653	2,808	13,980	2,281
Investments	12	300	-	300	-
Cash at bank and in hand		3,793	-	2,031	-
		<u>19,466</u>	<u>2,808</u>	<u>19,961</u>	<u>2,281</u>
<b>CREDITORS: amounts falling due within one year</b>	14	<u>(36,791)</u>	<u>(2,808)</u>	<u>(34,360)</u>	<u>(2,281)</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(17,325)</u>	<u>140,000</u>	<u>(14,399)</u>	<u>-</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>579,305</u>	<u>140,000</u>	<u>569,357</u>	<u>140,000</u>
<b>CREDITORS: amounts falling due after more than one year</b>	16	(430,347)	-	(427,017)	-
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	17	<u>(178)</u>	<u>-</u>	<u>(200)</u>	<u>-</u>
		<u>148,780</u>	<u>140,000</u>	<u>142,140</u>	<u>140,000</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	18	140,000	140,000	140,000	140,000
Profit and loss account	19	8,780	-	2,140	-
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>148,780</u>	<u>140,000</u>	<u>142,140</u>	<u>140,000</u>

These financial statements were approved by the Board of Directors on

24 / 1 2002.

Signed on behalf of the Board of Directors



JV Ceriale

Director

**BRE/SAVOY ACQUISITION COMPANY**

**CONSOLIDATED CASH FLOW STATEMENT**  
**31 December 2000**

	Note	2000 £'000	1999 £'000
<b>Net cash inflow from operating activities</b>	21	58,094	46,100
<b>Returns on investments and servicing of finance</b>			
Interest received		400	315
Interest paid		(40,027)	(33,539)
Income from investments		117	-
Interest element of finance leases		(35)	(66)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(39,545)	(33,290)
<b>Taxation</b>			
Taxation repaid/(paid)		742	(1,406)
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(19,726)	(13,781)
Cash received on sale of tangible fixed assets		1,318	331
<b>Net cash outflow from capital expenditure and financial investment</b>		(18,408)	(13,450)
<b>Acquisitions and disposals</b>			
Net sale cost of Laundry Business		-	(253)
		-	(253)
Equity dividends paid		(3,618)	-
<b>Net cash outflow before financing</b>		(2,735)	(2,299)
<b>Financing</b>			
Repayment to ultimate parent entity		-	(1,386)
Bank and other loans		-	1,235
Repayment of loans		(4,626)	-
Increase in long term borrowing		8,706	-
Capital element of finance lease repayments		(400)	(430)
<b>Net cash inflow/(outflow) from financing</b>		3,680	(581)
<b>Increase/(decrease) in cash</b>	23	945	(2,880)

**NOTES TO THE ACCOUNTS**

**31 December 2000**

**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 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.

**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 impairment in value below historical cost, provision is made in the profit and loss account. The hotels are valued annually by an independent firm of external valuers to give the directors assistance in assessing whether there has been any impairment of the hotel assets.

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.

# BRE/SAVOY ACQUISITION COMPANY

## NOTES TO THE ACCOUNTS

31 December 2000

### 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	
	2000	1999	2000	1999	2000	1999
	£'000	£'000	£'000	£'000	£'000	£'000
Hotel, restaurant and ancillary services	129,451	121,481	48,076	38,992	144,298	137,861
Theatre ticket sales and ancillary services	832	814	30	45	4,482	4,279
	<u>130,283</u>	<u>122,295</u>	<u>48,106</u>	<u>39,037</u>	<u>148,780</u>	<u>142,140</u>

### 3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Average number of persons employed	No.	No.
Hotel and administration	1,689	1,642
	<u>£'000</u>	<u>£'000</u>
Staff costs during the period		
Wages and salaries	30,039	29,944
Social security costs	2,551	2,419
Pension costs	627	736
	<u>33,217</u>	<u>33,099</u>

# BRE/SAVOY ACQUISITION COMPANY

## NOTES TO THE ACCOUNTS

31 December 2000

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

### 4. OPERATING PROFIT

	2000 £'000	1999 £'000
<b>Operating profit is stated after charging</b>		
Depreciation – owned assets	6,278	6,066
Depreciation – finance leased assets	312	346
Loss on disposal of fixed assets	-	64
Loss on disposal of current asset investments	-	160
Operating leases:		
Land and buildings	-	73
Other assets	-	17
Auditors' remuneration – audit	79	80
– non-audit	76	84
	<u>                    </u>	<u>                    </u>

Auditors' remuneration of £4,000 (1999: £4,000) for the audit of the company, was borne by another group company.

### 5. INTEREST PAYABLE AND SIMILAR CHARGES

	Group	
	2000 £'000	1999 £'000
Bank loans and overdrafts	31,321	31,772
Amortisation of loan issue expenses	1,779	1,767
Other loans	9,881	8,706
Finance leases and hire purchase contracts	35	66
	<u>43,016</u>	<u>42,311</u>

### 6. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2000 £'000	1999 £'000
United Kingdom corporation tax at 30.25% (31%)	-	-
Current year deferred tax credit	3	2
Prior year deferred tax credit	19	-
Prior year corporation tax credit	3,573	752
	<u>3,595</u>	<u>754</u>

There is no tax charge for the period primarily as a result of the movement in deferred tax which has not been provided for in the accounts. The prior year tax credit arises as a consequence of the release of prior year provisions following the agreement of the Inland Revenue to certain prior year tax computations for Claridges Hotel Limited.

### 7. RESULT FOR THE FINANCIAL PERIOD

The company did not trade during the year ended 31 December 2000. As permitted by Section 230 of the Companies Act 1985, a profit and loss account is not presented for the company.

**BRE/SAVOY ACQUISITION COMPANY**

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

**8. INTANGIBLE ASSETS – NEGATIVE GOODWILL**

	<b>£'000</b>
Cost	
At 1 January 2000	(14,053)
Additions	-
	<hr/>
At 31 December 2000	(14,053)
	<hr/>
Net book value	
At 31 December 2000	(14,053)
	<hr/> <hr/>
At 31 December 1999	(14,053)
	<hr/> <hr/>

**9. TANGIBLE FIXED ASSETS**

<b>Group:</b>	<b>Freehold and buildings £'000</b>	<b>Long leasehold land and buildings £'000</b>	<b>Short leasehold land and buildings £'000</b>	<b>Assets under the course of construction £'000</b>	<b>Fixtures, fittings, plant and machinery £'000</b>	<b>Total £'000</b>
Cost or valuation						
At 1 January 2000	365,121	189,741	414	921	48,796	604,993
Transfers	-	-	-	(921)	921	-
Additions	5,529	1,485	-	3,642	9,070	19,726
Disposals	-	(95)	-	-	(1,675)	(1,770)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2000	370,650	191,131	414	3,642	57,112	622,949
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation						
At 1 January 2000	-	-	97	-	7,087	7,184
Charge for the year	-	-	32	-	6,558	6,590
Disposals	-	-	-	-	(1,508)	(1,508)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2000	-	-	129	-	12,137	12,266
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value						
At 31 December 2000	370,650	191,131	285	3,642	44,975	610,683
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 1999	365,121	189,741	317	921	41,709	597,809
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Fixtures, fittings, plant and machinery includes assets held under finance leases with net book value of £380,756 (1999: £693,000). The depreciation charge for the period on these assets was £311,901 (1999: £346,000). The company does not own any fixed assets.

# BRE/SAVOY ACQUISITION COMPANY

## NOTES TO THE ACCOUNTS

31 December 2000

### 10. INVESTMENT IN SUBSIDIARIES

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 company has a shareholding in the following principle companies:

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

The investment is carried at cost.

### 11. STOCKS

	Group 2000 £'000	Group 1999 £'000
Raw materials and consumables	3,720	3,650

### 12. CURRENT ASSET INVESTMENT

This relates to a shareholding holding in a golf club.

### 13. DEBTORS

	2000		1999	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade debtors	10,246	-	8,991	-
Amounts owed by parent entity	304	-	-	-
Amounts owed by subsidiary undertaking	-	2,808	-	2,281
Other debtors	-	-	4,049	-
Prepayments and accrued income	1,103	-	940	-
	<u>11,653</u>	<u>2,808</u>	<u>13,980</u>	<u>2,281</u>

## NOTES TO THE ACCOUNTS

31 December 2000

## 14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000		1999	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank loans and overdrafts (see note 15)	6,105	-	3,111	-
Obligations under finance leases	376	-	424	-
Trade creditors	17,736	-	14,458	-
Amounts owed to parent entity	2,808	2,808	2,281	2,281
Corporation tax	-	-	3,223	-
Other taxes and social security	3,186	-	3,854	-
Other creditors	697	-	822	-
Accruals and deferred income	5,883	-	6,187	-
	<u>36,791</u>	<u>2,808</u>	<u>34,360</u>	<u>2,281</u>

## 15. LOANS AND OVERDRAFTS

	2000	1999
	Group £'000	Group £'000
Due within one year	6,105	3,111
Due between one and two years	5,400	3,336
Due between two and five years	424,924	423,306
	<u>436,429</u>	<u>429,753</u>

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/Satelitte 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.

To enable the capital investment to the hotel properties to continue the senior loan facility was increased by £20 million in December 2001 and the owners of the group have made available a further £20 million of equity.



NOTES TO THE ACCOUNTS

31 December 2000

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

	2000 Group £'000	1999 Group £'000
Bank loans (see note 15)	357,126	362,150
Other loans with related entity (see note 15)	73,198	64,492
Obligations under finance leases (due within five years)	23	375
	<u>430,347</u>	<u>427,017</u>

17. DEFERRED TAX

The potential deferred tax liability is as follows:

	Provided		Unprovided	
	2000 Group £'000	1999 Group £'000	2000 Group £'000	1999 Group £'000
Capital allowances in advance of depreciation	178	200	14,953	12,482
Rolled over gains	-	-	4,370	4,803
Other timing differences	-	-	(90)	(307)
	<u>178</u>	<u>200</u>	<u>19,233</u>	<u>16,978</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.

18. CALLED UP SHARE CAPITAL

	2000 Group and Company £'000	1999 Group and Company £'000
Authorised: 250,000,000 ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>
Called up, allotted and fully paid: 140,000,000 ordinary shares of £1 each	<u>140,000</u>	<u>140,000</u>

19. PROFIT AND LOSS ACCOUNT

	Group £'000
At 31 December 1999	2,140
Profit for the period	6,640
At 31 December 2000	<u>8,780</u>

**BRE/SAVOY ACQUISITION COMPANY**

**NOTES TO THE ACCOUNTS**

**31 December 2000**

**20. FINANCIAL COMMITMENTS**

	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
Capital commitments:		
Contracted but not provided in the accounts	9,719	70
Operating lease commitments:		
Land and buildings expiring:		
- within one year	58	22
- in two to five years	65	66
- in more than five years	221	221
	<u>344</u>	<u>309</u>
Other assets expiring:		
- within one year	48	23
- in two to five years	123	184
	<u>171</u>	<u>207</u>
Annual commitments under non-cancellable leases	<u>515</u>	<u>516</u>

**21. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS**

	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
Operating profit	48,106	39,037
Depreciation charges	6,590	6,412
Loss on disposal of fixed assets	-	64
Increase in stock	(70)	(446)
Decrease in debtors	1,935	9,363
Increase/(decrease) in creditors	1,533	(8,330)
Net cash inflow from operating activities	<u>58,094</u>	<u>46,100</u>

**22. ANALYSIS OF NET DEBT**

	<b>As at</b>		<b>As at</b>
	<b>1 January</b>	<b>Cash flow</b>	<b>31 December</b>
	<b>2000</b>	<b>movements</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash at bank in hand	2,031	1,762	3,793
Debt due after one year	(426,642)	(1,903)	(430,324)
Debt due within one year	(3,111)	2,994	(6,105)
Finance leases	(799)	400	(399)
Total	<u>(428,521)</u>	<u>(2,735)</u>	<u>(433,035)</u>

## NOTES TO THE ACCOUNTS

31 December 2000

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

	2000 £'000	1999 £'000
Increase/(decrease) in cash in year	945	(2,880)
Cash inflow from increase in debt and lease financing	(3,680)	962
Amortisation of loan issue expenses	(1,779)	(1,767)
	<hr/>	<hr/>
Movement in net debt	(4,514)	(3,685)
Opening net debt	(428,521)	(424,836)
	<hr/>	<hr/>
Closing net debt	(433,035)	(428,521)
	<hr/> <hr/>	<hr/> <hr/>

## 24. PROFIT ON SALE OF BUSINESS DURING THE PREVIOUS YEAR

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/>

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

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

## 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.

# **BRE/SAVOY ACQUISITION COMPANY**

## **NOTES TO THE ACCOUNTS** **31 December 2000**

### **27. ULTIMATE PARENT ENTITY**

At 31 December 2000, 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.