

Company Registration No. 3558968

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

**Report and Consolidated Financial Statements**  
**31 December 2001**

Deloitte & Touche  
London



**BRE/SAVOY ACQUISITION COMPANY**

**REPORT AND FINANCIAL STATEMENTS 2001**

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**BRE/SAVOY ACQUISITION COMPANY**

**REPORT AND FINANCIAL STATEMENTS 2001**

**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  
London

# BRE/SAVOY ACQUISITION COMPANY

## DIRECTORS' REPORT

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

### ACTIVITIES

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

### REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

During the year the company issued an additional 20 million £1 ordinary shares at par to the immediate parent, BRE/Satellite LP.

The group's profit for the year before interest, tax and depreciation is £37.42 million (2000: £55.75 million). The profit and loss account is shown on page 5.

The directors expect that the present activity level will at least be sustained for the foreseeable future.

### DIVIDENDS

No dividend was paid in the year (2000: £3.62 million) and no dividend is proposed.

### DIRECTORS AND THEIR INTERESTS

The directors of the company at 31 December 2001, who have been directors for the whole year 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

12 November 2002

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company 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 the system of internal control for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BRE/SAVOY ACQUISITION COMPANY**

We have audited the financial statements of BRE/Savoy Acquisition Company for the year ended 31 December 2001 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cashflow statement, reconciliation of movement in shareholders' funds and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

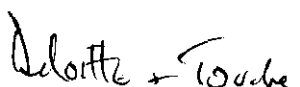
### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2001 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Deloitte & Touche**

Chartered Accountants and Registered Auditors

London

12 November 2002

**BRE/SAVOY ACQUISITION COMPANY**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

**Year ended 31 December 2001**

	Note	2001 £'000	2000 £'000
<b>TURNOVER</b>	2	114,326	130,283
Cost of sales		(76,876)	(75,559)
Gross profit		37,450	54,724
Administration expenses		(6,309)	(6,618)
<b>OPERATING PROFIT</b>	4	31,141	48,106
Profit on sale of fixed assets		-	1,056
Interest receivable		391	517
Interest payable and similar charges	5	(44,281)	(43,016)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(12,749)	6,663
Tax credit on (loss)/profit on ordinary activities	6	2,096	3,595
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		(10,653)	10,258
Equity dividend paid		-	(3,618)
<b>RETAINED (LOSS)/PROFIT FOR THE YEAR</b>		(10,653)	6,640
Retained profit brought forward		8,780	2,140
Retained (loss)/profit carried forward	19	(1,873)	8,780

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

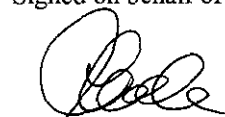
## BALANCE SHEETS

31 December 2001

	Note	2001		2000	
		Group £'000	Company £'000	Group £'000	Company £'000
<b>FIXED ASSETS</b>					
Intangible assets – negative goodwill	8	(14,053)	-	(14,053)	-
Tangible assets	9	629,223	-	610,683	-
Investment in subsidiary	10	-	160,000	-	140,000
		<u>615,170</u>	<u>160,000</u>	<u>596,630</u>	<u>140,000</u>
<b>CURRENT ASSETS</b>					
Stocks	11	3,093	-	3,720	-
Debtors	13	10,369	2,808	11,653	2,808
Investments	12	300	-	300	-
Cash at bank and in hand		7,014	-	3,793	-
		<u>20,776</u>	<u>2,808</u>	<u>19,466</u>	<u>2,808</u>
<b>CREDITORS: amounts falling due within one year</b>	14	<u>(42,105)</u>	<u>(2,808)</u>	<u>(36,791)</u>	<u>(2,808)</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(21,329)</u>	<u>-</u>	<u>(17,325)</u>	<u>-</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		593,841	160,000	579,305	140,000
<b>CREDITORS: amounts falling due after more than one year</b>	16	(435,556)	-	(430,347)	-
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	17	<u>(158)</u>	<u>-</u>	<u>(178)</u>	<u>-</u>
		<u>158,127</u>	<u>160,000</u>	<u>148,780</u>	<u>140,000</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	18	160,000	160,000	140,000	140,000
Profit and loss account	19	(1,873)	-	8,780	-
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>158,127</u>	<u>160,000</u>	<u>148,780</u>	<u>140,000</u>

These financial statements were approved by the Board of Directors on 12 November 2002.

Signed on behalf of the Board of Directors



JV Ceriale  
Director



# BRE/SAVOY ACQUISITION COMPANY

## RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

Year ended 31 December 2001

	2001 £'000	2000 £'000
(Loss)/profit for the financial year	(10,653)	10,258
Dividends	-	(3,618)
Issue of additional share capital	20,000	-
Net addition to shareholders' funds	<u>9,347</u>	<u>6,640</u>
Opening shareholders' funds	<u>148,780</u>	<u>142,140</u>
Closing shareholders' funds	<u><u>158,127</u></u>	<u><u>148,780</u></u>

**BRE/SAVOY ACQUISITION COMPANY****CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 31 December 2001**

	Note	2001 £'000	2000 £'000
<b>Net cash inflow from operating activities</b>	21	43,799	58,094
<b>Returns on investments and servicing of finance</b>			
Interest received		358	400
Interest paid		(40,936)	(40,027)
Income from investments		33	117
Interest element of finance leases		-	(35)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(40,545)	(39,545)
<b>Taxation</b>			
Taxation repaid		2,221	742
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(24,999)	(19,726)
Cash received on sale of tangible fixed assets		150	1,318
<b>Net cash outflow from capital expenditure and financial investment</b>		(24,849)	(18,408)
Equity dividends paid		-	(3,618)
<b>Net cash outflow before financing</b>		(19,374)	(2,735)
<b>Financing</b>			
Issue of new share capital		20,000	-
Repayment of loans		(5,810)	(4,626)
Increase in long term borrowing		9,626	8,706
Capital element of finance lease repayments		(376)	(400)
<b>Net cash inflow from financing</b>		23,440	3,680
<b>Increase in cash</b>	23	4,066	945

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2001**

**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 property value below historical cost, provision for impairment is charged to 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 Year ended 31 December 2001

### 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		Profit before taxation		Net assets	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Hotel, restaurant and ancillary services	113,355	129,451	12,887	6,633	153,487	144,298
Theatre ticket sales and ancillary services	971	832	138	30	4,640	4,482
	<u>114,326</u>	<u>130,283</u>	<u>(12,749)</u>	<u>6,663</u>	<u>158,127</u>	<u>148,780</u>

# BRE/SAVOY ACQUISITION COMPANY

## NOTES TO THE ACCOUNTS

Year ended 31 December 2001

### 3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Average number of persons employed	2001 No.	2000 No.
Hotel and administration	1,664	1,689
	<u>£'000</u>	<u>£'000</u>
<b>Staff costs during the period</b>		
Wages and salaries	28,674	30,039
Social security costs	2,276	2,551
Pension costs	678	627
	<u>31,628</u>	<u>33,217</u>

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

### 4. OPERATING PROFIT

	2001 £'000	2000 £'000
<b>Operating profit is stated after charging</b>		
Depreciation	6,279	6,590
Loss on disposal of fixed assets	30	-
Auditors' remuneration - audit	87	79
- non-audit	153	76
	<u></u>	<u></u>

Auditors' remuneration of £4,500 (2000: £4,000) for the audit of the company, was borne by another group company.

### 5. INTEREST PAYABLE AND SIMILAR CHARGES

	Group	
	2001 £'000	2000 £'000
Bank loans and overdrafts	31,299	31,321
Amortisation of loan issue expenses	1,756	1,779
Other loans	11,215	9,881
Finance leases and hire purchase contracts	11	35
	<u>44,281</u>	<u>43,016</u>

# BRE/SAVOY ACQUISITION COMPANY

## NOTES TO THE ACCOUNTS Year ended 31 December 2001

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

	2001 £'000	2000 £'000
Current year deferred tax credit	20	3
Prior year deferred tax credit	-	19
Prior year corporation tax credit	2,076	3,573
	<u>2,096</u>	<u>3,595</u>

There is no current year corporation tax charge for the year as the group has generated losses for tax purposes in respect of which no deferred tax has been provided. The prior year tax credit arises as a consequence of the repayment of overpaid corporation tax following the agreement of the Inland Revenue to prior year computations.

### 7. RESULT FOR THE FINANCIAL YEAR

The company did not trade during the year ended 31 December 2001 and therefore made neither profit nor loss (2000: £nil). 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
<b>Negative goodwill</b>	
At 1 January 2001 and 31 December 2001	<u>(14,053)</u>
<b>Net book value</b>	
At 1 January 2001 and 31 December 2001	<u>(14,053)</u>

**BRE/SAVOY ACQUISITION COMPANY**

**NOTES TO THE ACCOUNTS**

**Year ended 31 December 2001**

**9. TANGIBLE FIXED ASSETS**

<b>Group:</b>	<b>Freehold land 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 2001	370,650	191,131	414	3,642	57,112	622,949
Transfers	-	-	-	(439)	439	-
Additions	3,160	332	-	16,242	5,265	24,999
Disposals	(140)	-	-	-	(202)	(342)
At 31 December 2001	<u>373,670</u>	<u>191,463</u>	<u>414</u>	<u>19,445</u>	<u>62,614</u>	<u>647,606</u>
Accumulated depreciation						
At 1 January 2001	-	-	30	-	6,249	6,279
Charge for the year	-	-	-	-	(162)	(162)
At 31 December 2001	<u>-</u>	<u>-</u>	<u>159</u>	<u>-</u>	<u>18,224</u>	<u>18,383</u>
Net book value						
At 31 December 2001	<u>373,670</u>	<u>191,463</u>	<u>255</u>	<u>19,445</u>	<u>44,390</u>	<u>629,223</u>
At 31 December 2000	<u>370,650</u>	<u>191,131</u>	<u>285</u>	<u>3,642</u>	<u>44,975</u>	<u>610,683</u>

Fixtures, fittings, plant and machinery includes assets held under finance leases with net book value of £nil (2000: £380,756). The depreciation charge for the period on these assets was £nil (2000: £311,901). The company does not own any tangible fixed assets.

# BRE/SAVOY ACQUISITION COMPANY

## NOTES TO THE ACCOUNTS Year ended 31 December 2001

### 10. INVESTMENT IN SUBSIDIARIES

The investment represents the company's holding of 100% of the share capital of Blackstone Hotel Acquisitions Company, an unlimited company incorporated in Great Britain and registered in England and Wales. The company has a shareholding in the following principal 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 2001 £'000	Group 2000 £'000
Raw materials and consumables	3,093	3,720

### 12. CURRENT ASSET INVESTMENT

This relates to a shareholding in a golf club.

### 13. DEBTORS

	2001		2000	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade debtors	8,386	-	10,246	-
Amounts owed by parent entity	146	-	304	-
Amounts owed by subsidiary undertaking	-	2,808	-	2,808
Prepayments and accrued income	1,837	-	1,103	-
	<u>10,369</u>	<u>2,808</u>	<u>11,653</u>	<u>2,808</u>



**NOTES TO THE ACCOUNTS**

**Year ended 31 December 2001**

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

	2001		2000	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank loans and overdrafts (see note 15)	5,600	-	6,105	-
Obligations under finance leases	23	-	376	-
Trade creditors	10,349	-	7,854	-
Amounts owed to parent entity	2,808	2,808	2,808	2,808
Income tax	145	-	-	-
Other taxes and social security	3,930	-	3,186	-
Other creditors	11,869	-	10,579	-
Accruals and deferred income	7,381	-	5,883	-
	<u>42,105</u>	<u>2,808</u>	<u>36,791</u>	<u>2,808</u>

**15. LOANS AND OVERDRAFTS**

	2001	2000
	Group £'000	Group £'000
Due within one year	5,600	6,105
Due between one and two years	435,556	5,400
Due between two and five years	-	424,924
	<u>441,156</u>	<u>436,429</u>

The Company's subsidiary company Blackstone Hotel Acquisitions Company ("BHAC") has obtained a senior credit facility of £275 million which 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 which 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. Discussions relating to the renewal of these facilities are currently ongoing.

During the year an additional loan facility of £20 million was made available to BHAC. At 31 December 2001 this facility remained unused.

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. During the year this loan has been extended to allow repayment of the accrued interest on the loan for 2000.

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

## NOTES TO THE ACCOUNTS

Year ended 31 December 2001

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

	2001 Group £'000	2000 Group £'000
Bank loans (see note 15)	346,731	357,126
Other loans with related entity (see note 15)	88,825	73,198
Obligations under finance leases (due within five years)	-	23
	<u>435,556</u>	<u>430,347</u>

## 17. DEFERRED TAX

There is no provided or unprovided deferred tax in the company. The potential deferred tax liability in the group is as follows:

	Provided		Unprovided	
	2001 Group £'000	2000 Group £'000	2001 Group £'000	2000 Group £'000
Capital allowances in advance of depreciation	158	178	13,677	14,953
Rolled over gains	-	-	4,626	4,370
Other timing differences	-	-	(1,613)	(90)
	<u>158</u>	<u>178</u>	<u>16,690</u>	<u>19,233</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

	2001 £'000	2000 £'000
<b>Authorised:</b>		
250,000,000 ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>
<b>Called up, allotted and fully paid:</b>		
160,000,000 ordinary shares of £1 each	<u>160,000</u>	<u>140,000</u>

## 19. PROFIT AND LOSS ACCOUNT

	Group £'000
At 31 December 2001	8,780
Loss for the year	<u>(10,653)</u>
At 31 December 2002	<u>(1,873)</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2001**

**20. FINANCIAL COMMITMENTS**

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Capital commitments:		
Contracted but not provided in the accounts	9,300	9,719
Operating lease commitments:		
Land and buildings expiring:		
- within one year	38	58
- in two to five years	65	65
- in more than five years	221	221
	<u>324</u>	<u>344</u>
Other assets expiring:		
- within one year	21	48
- in two to five years	109	123
- in more than five years	4	-
	<u>134</u>	<u>171</u>
Annual commitments under non-cancellable leases	<u>458</u>	<u>515</u>

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

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Operating profit	31,141	48,106
Depreciation charges	6,279	6,590
Loss on disposal of fixed assets	30	-
Decrease/(increase) in stocks	627	(70)
Decrease in debtors	1,284	1,935
Increase in creditors	4,438	1,533
Net cash inflow from operating activities	<u>43,799</u>	<u>58,094</u>

**22. ANALYSIS OF NET DEBT**

	<b>As at</b>		<b>As at</b>
	<b>1 January</b>		<b>31 December</b>
	<b>2001</b>	<b>Cash flow</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
		<b>movements</b>	
		<b>£'000</b>	
Cash at bank in hand	3,793	3,221	7,014
Overdrafts	(1,045)	845	(200)
Debt due after one year	(430,324)	(3,476)	(435,556)
Debt due within one year	(5,060)	(340)	(5,400)
Finance leases	(399)	376	(23)
Total	<u>(433,035)</u>	<u>626</u>	<u>(434,165)</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2001**

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

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Increase in cash in year	4,066	945
Cash inflow from increase in debt and lease financing	(3,440)	(3,680)
Amortisation of loan issue expenses	(1,756)	(1,779)
	<u>          </u>	<u>          </u>
Movement in net debt	(1,130)	(4,514)
Opening net debt	(433,035)	(428,521)
	<u>          </u>	<u>          </u>
Closing net debt	<u>(434,165)</u>	<u>(433,035)</u>

**24. 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 31 March 2000. 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 5.75% per annum, salary increases would average 4.75% per annum for senior staff and 4.25% for other staff, and present and future pensions would increase at the rate of 2.75% per annum.

At the date of the latest actuarial valuation, the market value of the assets of the schemes was £35.7 million and the actuarial value of the assets was sufficient to cover 106% of the benefits which have accrued to members, after allowing for expected future increases in earnings.

FRS17 is fully effective for periods ending on or after 22 June 2003, though disclosures are required in the transitional period commencing with the year ended 31 December 2001. Initial disclosures showing the assets and liabilities of the major plans is set out below. These have been calculated on the following financial assumptions.

Rate of increase in salaries (Senior/Staff)	3.5%/4%
Rate of increase in deferred pensions	2.50%
Rate of increase for pensions in payment	2.50%
Discount Rate	6.00%
Inflation assumption	2.50%

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2001**

**24 PENSIONS AND SIMILAR OBLIGATIONS – CONTINUED**

The assets and liabilities of the pension fund operated by the group at 31 December 2001 are shown below:

	<b>Long term expected rate of return at 31/12/2001</b>	<b>Value at 31/12/2001</b>
Equities (and property)	7.50%	23,787
Gilts	5%	1,402
Other	5.50%	3,751
		<hr/>
Total market value of assets		28,940
Present value of scheme liabilities		(31,992)
		<hr/>
Deficit in the scheme		(3,052)
Related deferred tax asset		916
		<hr/>
Net pension liability		<u>(2,136)</u>

The figures shown above exclude benefits provided within the scheme on a defined contribution basis and benefits for pensioners which have been secured with an insurance company as in both cases, the assets held precisely match the corresponding liability.

The group has agreed with the Trustees to pay contributions at the rate of 7.5% of pensionable salaries.

Had the group adopted FRS 17 early, reserves at 31 December 2001 would have been stated as follows:

	<b>2001 £000</b>
<b>Net Assets</b>	
Net assets excluding pension deficit	158,127
Pension deficit	(2,136)
	<hr/>
Net assets including pension deficit	<u>155,991</u>
<b>Reserves</b>	
Profit and loss deficit excluding pension deficit	(1,873)
Pension deficit	(2,136)
	<hr/>
Profit and loss reserve including pension deficit	<u>(4,009)</u>

**25. RELATED PARTY DISCLOSURE**

The group is exempt under the provisions of paragraph 3, Financial Reporting Standard 8 "Related Party Disclosures" from disclosing details of transactions with group related parties.

**NOTES TO THE ACCOUNTS**

**Year ended 31 December 2001**

**26. ULTIMATE PARENT ENTITY**

At 31 December 2001, the company's immediate and ultimate parent entity and controlling party is BRE/Satellite L.P., a Delaware limited partnership. BRE/Savoy Acquisition Company is the smallest and largest group for which group accounts are prepared.