

**CLARIDGE'S HOTEL LIMITED**

**(Formerly The Savoy Hotel Ltd, formerly The Savoy Hotel plc)**

**Annual Report and Financial Statements**

**For the Year Ended 31 December 1998**

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



**CLARIDGE'S HOTEL LTD.**  
**(Formerly The Savoy Hotel Ltd, formerly The Savoy Hotel plc)**

**REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**31 DECEMBER 1998**

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**CLARIDGE'S HOTEL LTD.**

**(Formerly The Savoy Hotel Ltd, formerly The Savoy Hotel plc)**

**REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 1998**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

Mr R Pajares

Mr A J Fort

**SECRETARY**

Mr M France

**REGISTERED OFFICE**

1, Savoy Hill,  
LONDON WC2R 0BP

**BANKERS**

Barclays Bank Plc  
Fleet Street Business Centre  
Burleigh House  
357 Strand  
LONDON WC2R 0NX

**AUDITORS**

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

**CLARIDGE'S HOTEL LTD.**  
**(Formerly The Savoy Hotel Ltd, formerly The Savoy Hotel plc)**

**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 1998**

The directors present their annual report and the audited financial statements for the year ended 31 December 1998.

**ACTIVITIES**

The principal activities of the company are the ownership and management of hotels and restaurants.

**REVIEW OF DEVELOPMENTS**

The profit for the year before interest, exceptional items, tax and depreciation is £41m (1997: £29.9m). The profit and loss account and the statement of total recognised gains and losses for the year are shown on pages 7 and 8.

During the year, The Savoy Hotel Plc de-listed and changed its name to The Savoy Hotel Ltd., following a successful Offer for both A and B shares of the company by Blackstone Hotel Acquisitions Company ('BHAC'). This has resulted in exceptional costs both in relation to the appraisal of the Offer and the subsequent restructuring (described in note 24). These costs are detailed in note 3 to the accounts.

Following this Offer, the A and B shares have been converted into ordinary shares.

The directors revalued the freehold land and buildings and the company's investment in its only trading subsidiary, The Savoy Theatre Ltd., at 31 December 1998. Details of both of these revaluations are shown in the notes to the accounts.

On 5 January 1999, following the restructuring described above, the company changed its name to Claridge's Hotel Ltd.

Also in the year, the First Mortgage 4% Perpetual Debenture Stock was redeemed at a premium of 10%.

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, following the new structure of the company.

**DIVIDENDS**

During the year interim dividends have been paid, to a total value of £21.5m, to the intermediate holding companies, BHAC and The Savoy Group Ltd.

The directors do not recommend a final dividend.

**POST BALANCE SHEET EVENTS**

The acquisition of The Savoy Hotel Ltd. by BHAC presented an opportunity to develop an international set of exclusive hotels, with its own distinct identity and characteristics. From 1 January 1999, a new management and corporate structure was established. This is fully disclosed in note 24 to the accounts.

**EMPLOYEES**

The company'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 company's personnel policies ensure that all its employees are made aware, on a regular basis, of the company's policies, programmes and progress.

**CLARIDGE'S HOTEL LTD.**  
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**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 1998**

**DIRECTORS AND THEIR INTERESTS**

The directors of the company at 31 December 1998, both of whom have been directors for the whole year ended on that date, are listed below. The directors do not hold any interests in the shares of the company.

R Pajares	Managing Director
A J Fort	Finance Director

The following directors of the company resigned during the year:

Sir E Fergusson	resigned 30 December 1998
J Kemp-Welch	resigned 9 August 1998
J Leigh Pemberton	resigned 9 August 1998
G J Robinson	resigned 9 August 1998
Rt. Hon. Viscount J A Thurso	resigned 9 August 1998

**CREDITOR PAYMENT POLICY**

The company's current policy concerning the payment of trade creditors is to follow the CBI's Prompt Payment Code (copies are available from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU). For other suppliers, the company's policy is to :

1. settle the terms of payment with those suppliers when agreeing the terms of each transaction;
2. ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts, and;
3. pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services without exception. At the year end, creditors represented 22 days purchases.

**DIRECTORS' AND OFFICERS' LIABILITY**

Directors' and officers' liability insurance has been purchased by the company during the year.

## **CLARIDGE'S HOTEL LTD.**

**(Formerly The Savoy Hotel Ltd, formerly The Savoy Hotel plc)**

### **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 1998**

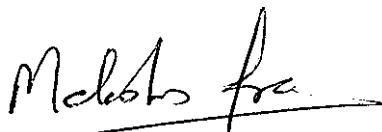
#### **YEAR 2000 COMPLIANCE**

The company 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.

#### **AUDITORS**

During the year, the auditors PricewaterhouseCoopers resigned from office. 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.

Approved by the Board of Directors  
and signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'M France', with a horizontal line underneath.

M France

Secretary

1 April 1999

## **CLARIDGE'S HOTEL LTD.**

**(Formerly The Savoy Hotel Ltd, formerly The Savoy Hotel plc)**

### **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 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;
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company 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 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## AUDITORS' REPORT TO THE MEMBERS OF CLARIDGE'S HOTEL LIMITED

We have audited the financial statements on pages 7 to 19 which have been prepared under the accounting policies set out on page 12.

### Respective responsibilities of directors and auditors

As described on page 5 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 circumstances, consistently applied and adequately disclosed.

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

### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1998 and of its profit 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

Hill House, 1 Little New Street,

LONDON EC4A 3TR

1 April 1999



Claridge's Hotel Ltd. (Formerly The Savoy Hotel Ltd., formerly The Savoy Hotel plc)  
Annual Report and Financial Statements 1998  
**Profit and Loss Account**  
Year Ended 31 December 1998

	Note	1998 £'000	1997 £'000
<b>Turnover</b>	1	112,664	101,887
Operating costs including exceptionals	2	(78,752)	(72,388)
Gross trading profit		33,912	29,499
Depreciation	11	(5,721)	(5,666)
<b>Operating profit</b>	2,3	28,191	23,833
Profit on the sale of The Lancaster Hotel in 1995	4	1,588	1,291
		29,779	25,124
Investment income	5	266	325
		30,045	25,449
Interest payable	6	(1,348)	(2,170)
<b>Profit on ordinary activities before taxation</b>		28,697	23,279
Taxation	7	(7,243)	(4,480)
<b>Profit for the financial year</b>	20	21,454	18,799
Dividends	20	(21,487)	(6,009)
<b>Transfer (from)/to reserves</b>		(33)	12,790

As described in note 24, the company underwent a restructuring after the year end which resulted in certain operations being transferred to separate legal entities. Under applicable accounting standards, these operations are deemed to be discontinued operations, requiring separate disclosure, as follows:

<b>Turnover</b>		28,115	20,467
Continuing operations		84,549	81,420
Discontinued operations			
	1	112,664	101,887
<b>Operating profit</b>			
Continuing operations		2,821	3,192
Discontinued operations		25,370	20,641
	2,3	28,191	23,833

Claridge's Hotel Ltd. (Formerly The Savoy Hotel Ltd., formerly The Savoy Hotel plc)  
Annual Report and Financial Statements 1998  
**Statement of Total Recognised Gains and Losses**  
Year Ended 31 December 1998

	Note	1998 £'000	1997 £'000
Profit for the financial year		21,454	18,799
Other recognised gains and losses for the year:			
Unrealised revaluation surplus on land and buildings	20	152,541	17,498
Unrealised revaluation surplus on investment	20	4,459	-
Total gains recognised for the financial year		178,454	36,297
<b>Reconciliation of movement in shareholders' funds</b>			
Profit for the financial year		21,454	18,799
Dividends		(21,487)	(6,009)
		(33)	12,790
Capital contribution received in the year	20	32,000	-
Unrealised revaluation surplus on land and buildings	20	152,541	17,498
Unrealised revaluation surplus on investment	20	4,459	-
Net addition to shareholders' funds		188,967	30,288
At 31 December 1997		391,125	360,837
At 31 December 1998		580,092	391,125

Claridge's Hotel Ltd. (Formerly The Savoy Hotel Ltd., formerly The Savoy Hotel plc)  
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**Balance Sheet**  
At 31 December 1998

	Note	1998 £'000	1997 £'000
<b>Fixed assets</b>			
Tangible assets	11	589,595	431,034
Investments in subsidiaries	12	15,012	10,553
		<b>604,607</b>	<b>441,587</b>
<b>Current assets</b>			
Stocks	13	3,196	3,622
Debtors: amounts falling due within one year	14	11,693	20,111
Investments		300	300
Cash at bank and in hand		-	54
		<b>15,189</b>	<b>24,087</b>
<b>Creditors - amounts falling due within one year</b>			
Loans and overdrafts	15	(343)	(21,712)
Creditors	16	(38,561)	(40,472)
Dividends		-	(6,009)
		<b>(38,904)</b>	<b>(68,193)</b>
<b>Net current liabilities</b>		<b>(23,715)</b>	<b>(44,106)</b>
<b>Total assets less current liabilities</b>		<b>580,892</b>	<b>397,481</b>
<b>Creditors - amounts falling due after more than one year</b>			
Loans and overdrafts	15	-	(1,250)
Creditors	16	(800)	(1,229)
		<b>(800)</b>	<b>(2,479)</b>
<b>Provisions for liabilities and charges</b>			
Deferred profit on disposal	18	-	(3,877)
		-	(3,877)
		<b>(800)</b>	<b>(6,356)</b>
<b>Net assets</b>		<b>580,092</b>	<b>391,125</b>
<b>Capital and reserves</b>			
Called up share capital	19	2,861	2,861
Share premium account	20	3,128	3,128
Revaluation reserves	20	488,478	331,478
Other reserves	20	33,741	1,741
Profit and loss account	20	51,884	51,917
<b>Equity shareholders' funds</b>		<b>580,092</b>	<b>391,125</b>

The financial statements were approved by the Board of Directors on 1 April 1999, and were signed on its behalf by:

  
Ramón Páez  
Managing Director

  
Alan J Fort  
Finance Director

Claridge's Hotel Ltd. (Formerly The Savoy Hotel Ltd., formerly The Savoy Hotel plc)  
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**Cash Flow Statement**  
Year Ended 31 December 1998

	Note	1998 £'000	1997 £'000
Net cash inflow from operating activities	A	31,439	29,244
Returns on investments and servicing of finance	B	(1,081)	(1,848)
Taxation		(2,087)	(1,699)
Capital expenditure and financial investment	B	(11,768)	(25,357)
Acquisitions and disposals	B	2,024	1,854
Equity dividends paid		(27,495)	(5,008)
Cash outflow before use of liquid resources and financing		(8,968)	(2,814)
Financing	B	29,571	(940)
Increase/(Decrease) in cash in the year		20,603	(3,754)
Reconciliation of net cash flow to movement in net debt			
Increase/(Decrease) in cash in the year		20,603	(3,754)
Cash outflow from decrease in debt and lease financing		2,429	940
Change in net debt resulting from cash flows		23,032	(2,814)
New finance leases		-	(853)
Movement in net debt in the year		23,032	(3,667)
Net debt at 1 January 1998		(24,604)	(20,937)
Net debt at 31 December 1998	C	(1,572)	(24,604)

Claridge's Hotel Ltd. (Formerly The Savoy Hotel Ltd., formerly The Savoy Hotel plc)  
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Notes to the Cash Flow Statement  
Year Ended 31 December 1998

	Continuing operations 1998 £'000	Continuing operations 1997 £'000	Discontinued operations 1998 £'000	Discontinued operations 1997 £'000	Total 1998 £'000	Total 1997 £'000
<b>A Reconciliation of operating profit to operating cash flows</b>						
Operating profit	2,821	3,192	25,370	20,641	28,191	23,833
Depreciation charges	1,199	1,073	4,522	4,593	5,721	5,666
Refurbishment	11	-	17	-	28	0
Profit on asset disposals	(3)	(13)	-	-	(3)	(13)
Decrease/(Increase) in stocks	426	(151)	-	-	426	(151)
Decrease/(Increase) in debtors	2,880	(1,544)	-	113	2,880	(1,431)
(Decrease)/Increase in creditors	(5,804)	1,671	-	(331)	(5,804)	1,340
<b>Net cash inflow from operating activities</b>	<b>1,530</b>	<b>4,228</b>	<b>29,909</b>	<b>25,016</b>	<b>31,439</b>	<b>29,244</b>

	1998 £'000	1997 £'000
<b>B Analysis of cash flows for headings netted in the cash flow statement</b>		
<b>Returns on investments and servicing of finance:</b>		
Interest received	266	325
Debenture interest paid (including 10% premium on redemption)	(51)	(18)
Bank and other interest paid	(1,192)	(2,064)
Interest element of finance leases	(104)	(91)
<b>Net cash outflow for returns on investments and servicing of finance</b>	<b>(1,081)</b>	<b>(1,848)</b>
<b>Capital expenditure and financial investment:</b>		
Purchase of tangible fixed assets (including £152,000 in relation to continuing operations)	(11,774)	(25,393)
Sale of plant and machinery	6	36
<b>Net cash outflow for capital expenditure and financial investment</b>	<b>(11,768)</b>	<b>(25,357)</b>
<b>Acquisitions and disposals</b>		
Cash proceeds net of costs	2,024	1,854
<b>Net cash inflow for acquisitions and disposals</b>	<b>2,024</b>	<b>1,854</b>
<b>Financing:</b>		
Capital contribution	32,000	-
Repayment of loans	(1,962)	(400)
Capital element of finance lease repayments	(467)	(540)
<b>Net cash inflow/(outflow) from financing</b>	<b>29,571</b>	<b>(940)</b>

	As at 1 Jan 98 £'000	Cash flow £'000	As at 31 Dec 98 £'000
<b>C Analysis of net debt</b>			
Cash at bank, in hand and overdrafts	(20,946)	20,603	(343)
Debt due after 1 year	(1,250)	1,250	0
Debt due within 1 year	(712)	712	0
Finance leases	(1,696)	467	(1,229)
<b>Total</b>	<b>(24,604)</b>	<b>23,032</b>	<b>(1,572)</b>

**D Major non-cash transactions**

During the year the company did not enter into finance lease arrangements (1997: £853,000)

	Lancaster Hotel and Camelot Barthropp £'000
<b>E Sale of Business</b>	
Deferred profit on disposal	3,877
Less: Deferred consideration re sale (included in computing deferred profit)	(4,313)
	(436)
Add: Final cash receipt for the sale received in the year	3,196
Less: Extra costs incurred in negotiating the cash receipt	(1,172)
<b>Net profit released to profit and loss account in the year</b>	<b>1,588</b>
<b>Net cash inflow from disposals:</b>	
Cash received - final payment for sale	3,196
Extra costs incurred in the year associated with the sale	(1,172)
<b>Net cash proceeds received in the year in settlement of deferred debtor (see note B)</b>	<b>2,024</b>

#### **Basis of accounting**

These accounts have been prepared on the historical cost basis of accounting, modified to include the revaluation of certain assets, and in accordance with the Companies Act 1985 and applicable accounting standards in the UK.

The principal accounting policies laid down for the preparation of the accounts have been reviewed and are appropriate to the company and are consistent with prior years.

#### **Fixed assets**

Expenditure on development of the company'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. Antiques are valued by external valuers based on market value. Hotels are valued by external valuers on the basis of existing use. They will be valued 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 company'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.

#### **Fixed asset investments**

Investments in subsidiary companies are stated at directors' valuation.

#### **Current asset investments**

Investments held for resale are stated at directors' valuation.

#### **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 profit, as incurred, over the terms of the leases.

#### **Pensions and other post retirement benefits**

Contributions to the company'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.

Notes to the Accounts  
Year Ended 31 December 1998

1998	1997
£'000	£'000

Hotel, restaurant and ancillary business receipts	112,066	101,263
Property rentals and other income	598	624
	112,664	101,887

As described in note 24, the company underwent a restructuring after the year end which resulted in certain operations being transferred to separate legal entities. Under applicable accounting standards, these operations are deemed to be discontinued operations, requiring separate disclosure, as shown on the profit and loss account. Below are the respective adjustments to operating costs and depreciation:

Operating profit on continuing business including exceptional costs is stated after:		
Raw materials and consumables	3,911	3,144
Staff costs (note 8)	6,449	5,728
Repairs and maintenance	571	662
Costs associated with the appraisal of the Offer for the company (see note 3)	4,836	-
Operating leases:		
Other assets	4	4
Profit on sale and write off of tangible fixed assets	(3)	(3)
Auditors' remuneration - Deloitte & Touche re 1998 financial statements audit	12	-
- Pricewaterhouse Coopers re 1997 financial statements audit	-	19
Auditors' remuneration for tax services and professional advice in the year	186	143
Other operating costs	8,129	6,505
<b>Total operating costs of continuing businesses</b>	<b>24,095</b>	<b>16,202</b>
Operating costs includes the following cost items associated with discontinued operations :		
Raw materials	12,351	12,656
Staff costs (note 8)	25,227	25,793
Repairs and maintenance	1,812	2,053
Costs associated with the restructuring of the company (see note 3)	2,217	-
Operating leases:		
Land and buildings	365	366
Other assets	184	223
Auditors' remuneration - Deloitte & Touche re 1998 financial statements audit	49	-
- Pricewaterhouse Coopers re 1997 financial statements audit	69	116
Other operating costs	12,383	14,979
<b>Total operating costs of discontinued businesses</b>	<b>54,657</b>	<b>56,186</b>
<b>Total operating costs</b>	<b>78,752</b>	<b>72,388</b>

Continuing business	1,199	1,073
Discontinued operations	4,522	4,593
	5,721	5,666

Claridge's Hotel Ltd. (Formerly The Savoy Hotel Ltd., formerly The Savoy Hotel plc)

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Notes to the Accounts

Year Ended 31 December 1998

1998

1997

£'000 £'000

### 3 Exceptional items included in operating costs

Exceptional operating items comprise the following:

Costs associated with the appraisal of the Offer for the company

4,836 -

Costs associated with the restructuring of the company

2,217 -

Exceptional items included in operating costs

7,053 -

### 4 Profit on sale of discontinued operations

Profit on disposal of operations

1,588 1,291

The profit on disposal in 1998 relates to the final cash settlement in respect of the sale of The Lancaster Hotel which occurred in 1995.

A reconciliation of the profit figure is further explained in Note E to the cash flow statement on page 11.

### 5 Investment income

Interest receivable

266 280

Dividend income from subsidiary undertaking

- 45

266 325

### 6 Interest payable

Bank loans and overdrafts

1,156 2,026

Debentures and other loans

43 53

Premium paid on redemption of First Mortgage 4% Perpetual Debentures

45 -

Finance leases

104 91

1,348 2,170

### 7 Taxation

UK taxation:

Corporation tax for the year at 31% (1997: 31.5%)

1,900 4,428

Capital gains tax arising on disposal of businesses

- 50

Group relief payable

5,343 -

Corporation tax in respect of prior years

- 2

7,243 4,480

The effective tax rate is lower than the standard rate of corporation tax principally as a result of capital allowances in excess of depreciation which have not been equalised through deferred tax.



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Year Ended 31 December 1998

	1998 £'000	1997 £'000
<b>8 Employees</b>		
Staff costs during the year including exceptionals amounted to:		
Wages and salaries	28,618	28,399
Social security costs	2,338	2,314
Pension costs (note 10)	720	808
	<b>31,676</b>	<b>31,521</b>

	No.	No.
The average number of persons employed in hotel operations was:	1,848	1,921

	1998 £'000	1997 £'000
<b>9 Remuneration of directors</b>		
Aggregate emoluments	683	891
Company pension contributions to money purchase schemes	57	52
Sums paid to third parties for directors' services	17	27
	<b>757</b>	<b>970</b>

Retirement benefits are provided for the two executive directors through money purchase schemes.

Highest paid director:

Aggregate emoluments and benefits	399	553
Company pension contributions to money purchase scheme	35	34
	<b>434</b>	<b>587</b>

The company does not operate long-term incentive schemes.

**10 Pensions and similar obligations**

The company 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 company 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 8 1/2% 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 4 1/2% per annum.

At the date of the latest actuarial valuation, the market value of the assets of the schemes was £19.6m 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.

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11 Tangible fixed assets	Land and Buildings		Leasehold Short-term £'000	Fixtures, Fittings, and Plant and Machinery £'000	Total £'000
	Freehold £'000	Leasehold Long-term £'000			
Cost or valuation					
At 1 January 1998	262,114	130,344	827	71,013	464,298
Additions in the year	1,545	319	-	6,646	8,510
Work in progress at year end: Unfinished projects	2,694	-	-	542	3,237
Revaluation in the year	95,760	56,781	-	-	152,541
Disposals in the year	-	-	-	(3,484)	(3,484)
<b>At 31 December 1998</b>	<b>362,113</b>	<b>187,444</b>	<b>827</b>	<b>74,717</b>	<b>625,101</b>
Depreciation					
At 1 January 1998	-	-	527	32,737	33,264
Charge for the year	-	-	38	5,683	5,721
Reclassification	-	-	(86)	86	-
Disposals in the year	-	-	0	(3,478)	(3,478)
<b>At 31 December 1998</b>	<b>0</b>	<b>0</b>	<b>479</b>	<b>35,027</b>	<b>35,506</b>
Net book value					
<b>At 31 December 1998</b>	<b>362,113</b>	<b>187,444</b>	<b>348</b>	<b>39,690</b>	<b>589,595</b>
At 1 January 1998	262,114	130,344	300	38,276	431,034

In the opinion of the directors the value of the hotels is £589 million at 31 December 1998 and this is the amount shown in the accounting records. One of these properties is primarily leasehold and therefore the whole of the property has been classified as long-leasehold.

Antiques which the company owns, were valued independently as at 31 December 1995 on the basis of market value by an independent Fine Art and Chattels Valuer, Mr A.F Acquier BA, FSVA. In the opinion of the directors the value of these assets had not materially changed at 31 December 1998 and they are therefore included at the 1995 valuation. It is the intention of the directors to have these assets independently valued every 5 years. These assets are used by the company as operational assets within Fixtures and Fittings at a value of £7.0 million, the carrying cost is insignificant.

	1998 £'000	1997 £'000
Freehold and long leasehold properties of the company at cost or valuation comprise:		
At valuation in 1998	549,557	-
At valuation in 1997	-	390,988
At valuation in 1962	-	260
At historical cost	-	1,210
	<b>549,557</b>	<b>392,458</b>
At historical cost	<b>75,985</b>	<b>71,426</b>

Fixtures, fittings, plant and machinery includes assets held under finance leases with net book value of £1,039,000 (1997: £1,298,000). The depreciation charge for the year on these assets was £258,000 (1997: £225,000).

12 Investment in subsidiaries	1998 £'000	1997 £'000
At 1 January	10,553	10,553
Movement in the year:		
Revaluation of investment in The Savoy Theatre Ltd.	4,459	-
<b>At 31 December</b>	<b>15,012</b>	<b>10,553</b>

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1998

£'000

1997

£'000

**13 Stocks**

Raw materials and consumables	3,196	3,622
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**14 Debtors**

Trade debtors	6,193	7,163
Amounts owed by subsidiaries	3,966	4,233
Deferred consideration on sale of subsidiaries	-	4,313
Other debtors	241	505
Prepayments and accrued income	1,293	3,897
	11,693	20,111

Deferred consideration in 1997 on sale of subsidiaries includes an amount of £168,000 relating to the sale of Camelot Barthropp and £4,145,000 relating to the sale of The Lancaster Hotel which have been released to profit in 1998. (See note 4 and note E to the cash flow statement.)

All debtor balances are due within one year.

**15 Loans and overdrafts**

Amounts falling due within one year:		
Bank loans and overdrafts	343	21,400
Secured loan repayable in 1998	-	312
	343	21,712
Amounts falling due after more than one year:		
4 % First Mortgage Perpetual Debenture Stock	-	450
Bank loans:		
Repayable within five years	-	800
	-	1,250

Bank loans and overdrafts incur interest at rates which vary with LIBOR.

During the year the company repaid all loans and redeemed the debenture stock. The debentures were redeemed at a 10% premium.

**16 Creditors**

Amounts falling due within one year:		
Trade creditors	3,542	8,069
Amounts owed to subsidiaries	12,062	12,062
Corporation tax including A.C.T. and group relief payable	10,717	6,786
Other taxation and social security payable	3,825	4,056
Other creditors	1,317	1,712
Obligations under finance leases	429	467
Accruals and deferred income	6,669	7,320
	38,561	40,472
Amounts falling due after more than one year:		
Obligations under finance leases repayable		
- between one and two years	424	429
- between two to five years	376	800
	800	1,229

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	1998 £'000	1997 £'000
<b>17 Deferred taxation</b>		
Potential liability:		
Accelerated capital allowances	12,390	9,446
Other timing differences	(2,331)	(286)
	<b>10,059</b>	<b>9,160</b>

The potential tax liability which might arise in the event of the disposal of revalued properties is not quantified as the directors do not consider it will reverse in the foreseeable future as disposal of the properties is not contemplated.

**18 Deferred profit on disposal**

The deferred profit on disposal of £3,877,000 within provisions for liabilities and charges in 1997 relates to the sale of The Lancaster Hotel, final consideration for which was received in the year. See also note 4 and note E to the cash flow statement.

	1998 £'000	1997 £'000
<b>19 Called up share capital</b>		
Authorised:		
50,000,000 Ordinary shares of 10p each	5,000	-
48,780,490 A Ordinary shares of 10p each	-	4,878
2,439,020 B Ordinary shares of 5p each	-	122
	<b>5,000</b>	<b>5,000</b>
Aliotted, called up and fully paid:		
28,615,873 Ordinary shares of 10p each	2,861	-
27,962,739 A Ordinary shares of 10p each	-	2,796
1,306,268 B Ordinary shares of 5p each	-	65
	<b>2,861</b>	<b>2,861</b>

Following the successful Offer for both the company A and B shares, the A and B shares were converted into Ordinary shares of 10p each.

	Share Premium £'000	Revaluation Reserves £'000	Other Reserves £'000	Capital Contribution £'000	Profit and Loss Account £'000
<b>20 Share premium account and reserves</b>					
At 1 January 1998	3,128	331,478	1,741	-	51,917
Profit for the financial year	-	-	-	-	21,454
Dividends	-	-	-	-	(21,487)
Revaluation surplus on freehold and leasehold property	-	152,541	-	-	-
Revaluation of investment	-	4,459	-	-	-
Capital contribution	-	-	-	32,000	-
<b>At 31 December 1998</b>	<b>3,128</b>	<b>488,478</b>	<b>1,741</b>	<b>32,000</b>	<b>51,884</b>

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	1998 £'000	1997 £'000
<b>21 Financial commitments</b>		
Capital commitments:		
Contracted but not provided in the accounts	232	2,838
Operating lease commitments:		
Land and buildings expiring		
- within one year	32	2
- in two to five years	111	1
- in more than five years	219	362
	362	365
Other assets expiring		
- within one year	237	11
- in two to five years	85	377
	322	388
Annual commitments under non-cancellable leases	684	753

**22 Interest in subsidiary undertakings**

	Country of incorporation and operation	Description of shares held	Proportion of voting rights held by the company
The principal trading subsidiary of the company is:			
Savoy Theatre Ltd.	Great Britain	£5.50 Ordinary	100%

**23 Related party disclosure**

The company is exempt under the provisions of Financial Reporting Standard 8 from disclosing the details of transactions with group related parties.

**24 Post balance sheet events**

The acquisition of The Savoy Hotel Ltd. by Blackstone Hotel Acquisitions Company presented an opportunity to develop an international set of exclusive hotels, with its own distinct identity and characteristics.

The current structure was deemed inappropriate to maximise development of the hotels and restaurant.  
From 1 January 1999, a new management and corporate structure was established.

The restructuring resulted in each hotel operation being owned by a separate newly incorporated company but belonging to the same ultimate parent undertaking, BRE/Savoy Acquisition Company. These new companies are listed below:

- The Savoy Hotel Ltd. (including the operations of Simpson's-in-the-Strand)
- The Berkeley Hotel Ltd.
- The Connaught Hotel Ltd.
- The Lygon Arms Hotel Ltd.

As part of this restructuring the central services function was transferred to a new company, Savoy Management Services Ltd.

The Savoy Hotel Ltd. retained Claridge's Hotel and consequently changed its name to Claridge's Hotel Ltd.

**25 Ultimate parent company**

The company's ultimate parent company and controlling party is BRE/Savoy Acquisition Company registered in England and Wales. This is the largest group in which the company is a member and for which group accounts are prepared. Copies of its statutory accounts will be available from its registered office 1 Savoy Hill, London WC2R 0BP.

Blackstone Hotel Acquisitions Company is the smallest member of the group in which the company is a member and for which group accounts are prepared. Copies of its statutory accounts will also be available from its registered office 1 Savoy Hill, London WC2R 0BP.