

DORCHESTER GROUP LIMITED

**Directors' Report
and Financial Statements
for the year ended 31 December 2000**



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Dorchester Group Limited

Registered Number 01823605

Directors' report and financial statements
for the year ended 31 December 2000

Dorchester Group Limited

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Dorchester Group Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31st December 2000.

Principal activities and future prospects

During the year, the group continued to own and manage The Dorchester Hotel, Park Lane, London, The Beverly Hills Hotel in Los Angeles, Hotel Meurice in Paris and four commercial properties in the United States of America.

The group continued its major renovation programme of Hotel Meurice, which was temporarily closed between 18th March 1999 and 3rd July 2000, when it re-opened to the public.

The directors expect the group to continue in its activities for the foreseeable future.

Business review

The consolidated profit on ordinary activities after taxation is £17,459,000 (1999: £8,693,000). The directors consider the results for the year to be satisfactory.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend (1999: *£nil*). The retained profit of £17,459,000 (1999: £8,693,000) was transferred to reserves.

Directors and directors' interests

The details of the directors of the company who have served during the year are as follows:

Current directors:

Haji Muhammad Syaippudin Haji Abdullah (Chairman)	
Haji Saifubahri Haji Mansor	
Dayang Haslina Binti Haji Mohd Taib	
Mr Riccardo Obertelli	
Pg Hj Husainey Bin Pg Hj Mohamad	(appointed 26 th January 2000)

Other directors who served during the year:

Pengiran Mohd Yusof Pengiran Haji Jeludin	(resigned 19 th April 2000)
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The directors do not have any beneficial interests in the share capital of the company or its subsidiary undertakings. According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Dorchester Group Limited

Employees

It is the group's continuing policy and practice to involve staff by providing and receiving information relevant to the progress, development and performance of the group. Matters of concern to staff as employees were communicated through briefing by executives and heads of departments, a newsletter and training courses. Consultation with staff on matters affecting their interests and the general efficiency of the group took place in various ways; one of these was through the elected staff representatives on a consultative committee which met regularly during the year.

In relation to the employment of disabled persons, the group's policy is to give the same consideration to disabled people as to other people, in regard to applications for employment, continuation of employment, training, career development and promotion, having regard to their particular aptitudes and abilities.

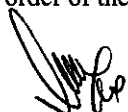
Political and charitable contributions

During the year, the group donated £7,953 (1999: £10,300) for charitable purposes. There were no political donations.

The Single European Currency

We continue to monitor the expected entry date for the United Kingdom and will be ensuring that our systems will be prepared if the United Kingdom enters monetary union. The costs of this transition have not yet been quantified but are not expected to be significant at this stage.

By order of the Board



Dayang Haslina Binti Haji Mohd Taib
Secretary

3 Tilney Street
London W1Y 5LE

Date: 16th January 2002

Dorchester Group Limited

Statement of directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. In addition, the directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Dorchester Group Limited

Auditors' report to the members of Dorchester Group Limited

We have audited the financial statements on pages 6 to 21 which have been prepared under the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the 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.

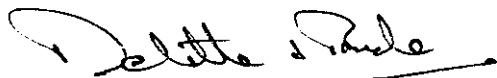
Basis of opinion

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 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 and Touche
Chartered Accountants
Registered Auditors
Hill House
1 Little New Street
London, EC4A 3TR

Date: 18 January 2002

Dorchester Group Limited

Consolidated profit and loss account for the year ended 31 December 2000

	Notes	2000 £000	1999 £000
Continuing operations			
Turnover		93,746	79,681
Cost of sales		(39,705)	(36,374)
Gross profit		54,041	43,307
Operating expenses		(31,345)	(30,479)
Operating profit		22,696	12,828
Interest receivable and similar income	5	1,383	1,493
Interest payable and similar charges	6	(4,337)	(5,363)
Profit on ordinary activities before taxation	2	19,742	8,958
Tax on profit on ordinary activities	7	(2,283)	(265)
Retained profit for the financial year	16	17,459	8,693

Consolidated statement of total recognised gains and losses for the year ended 31 December 2000


	2000 £000	1999 £000
Profit for the financial year	17,459	8,693
Foreign exchange translation differences	17,883	373
Total recognised gains and losses relating to the year	35,342	9,066


Dorchester Group Limited

Consolidated balance sheet at 31 December 2000

	Note	2000		1999	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	8		463,026		434,079
Current assets					
Stocks	10	3,236		3,021	
Debtors	11	12,212		11,747	
Cash at bank and in hand	12	21,983		23,883	
		<u>37,431</u>		<u>38,651</u>	
Creditors: amounts falling due within one year	13	<u>(24,971)</u>		<u>(27,758)</u>	
Net current assets			12,460		10,893
Total assets less current liabilities			<u>475,486</u>		<u>444,972</u>
Creditors: amounts falling due after more than one year	14		(143,892)		(146,554)
Provision for liabilities and charges	15		(1,336)		(3,502)
Net assets			<u>330,258</u>		<u>294,916</u>
Capital and reserves					
Called up share capital	16, 17		120,009		120,009
Share premium account	16		182,711		182,711
Other reserves	16		72,668		72,668
Profit and loss account	16		(45,130)		(80,472)
Equity shareholders' funds			<u>330,258</u>		<u>294,916</u>

These financial statements were approved by the board of directors on 16th January 2002 and were signed on its behalf by:


Pg Hj Husainey Bin Pg Hj Mohamad
Director


Dayang Haslina Binti Haji Mohd Taib
Director

Dorchester Group Limited

Company balance sheet at 31 December 2000

		2000	1999
		£000	£000
Fixed assets			
Investments	9	319,481	319,481
Current assets			
Debtors: amounts falling due within one year	11	5,532	28,962
Debtors: amounts falling due after more than one year	11	95,316	56,188
Cash at bank and in hand	12	3,737	9,351
		<u>104,585</u>	<u>94,501</u>
Creditors: amounts falling due within one year	13	<u>(14,857)</u>	<u>(8,125)</u>
Net current assets		<u>89,728</u>	<u>86,376</u>
Total assets less current liabilities		<u>409,209</u>	<u>405,857</u>
Creditors: amounts falling due after more than one year	14	<u>(94,491)</u>	<u>(93,669)</u>
Net assets		<u>314,718</u>	<u>312,188</u>
Capital and reserves			
Called up share capital	16, 17	120,009	120,009
Share premium account	16	182,711	182,711
Profit and loss account	16	11,998	9,468
Equity shareholders' funds		<u>314,718</u>	<u>312,188</u>

These financial statements were approved by the board of directors on 16th January 2002 and were signed on its behalf by:


Pg Hj Husainey Bin Pg Hj Mohamad
Chairman


Dayang Haslina Binti Haji Mohd Taib
Director

Dorchester Group Limited

Consolidated cash flow statement for the year ended 31 December 2000

		2000		1999	
		£000	£000	£000	£000
Net cash inflow from operating activities	22		26,964		23,104
Return on investments and servicing of finance					
Interest received		769		1,521	
Interest paid		(2,467)		(8,160)	
Net cash outflow from returns on investments and servicing of finance			(1,698)		(6,639)
Taxation			(324)		(272)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(18,041)		(22,050)	
Sale of tangible fixed assets		24		178	
Net cash outflow from capital expenditure and financial investment			(18,017)		(21,872)
Net cash inflow / (outflow) before management of liquid resources and financing			6,925		(5,679)
Management of liquid resources					
Cash withdrawn from short term deposits			7,673		12,184
Financing					
Bank loans			(9,733)		(10,892)
Increase/(decrease) in cash in the year	24		4,865		(4,387)

Dorchester Group Limited

Notes

(forming part of the financial statements)

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards.

There have been no changes to accounting policies during the year.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The group accounts consolidate the accounts of the Dorchester Group Limited and subsidiary undertakings. All of the subsidiary undertakings prepare accounts to 31st December 2000.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Commercial Properties	-	2.5% to 3.2% per annum
Leasehold land and buildings	-	life of lease
Plant, machinery, fixtures, fittings, equipment and tools	-	7% to 25% per annum

The commercial properties relate to office buildings owned in the United States of America, these are included within land and buildings. No depreciation is provided on freehold land or buildings relating to hotels owned by the group. It is the group's policy to maintain these assets in a continual state of sound repair and to make improvements thereto from time to time. Accordingly, the directors consider that the lives of these assets are so long and residual values so high that their depreciation is insignificant.

The hotel land and buildings are reviewed for impairment annually.

Capital expenditure on major projects is recorded separately within fixed assets as property in the course of construction. Once the project is complete, the balance is transferred to the appropriate fixed asset categories. Property in the course of construction is not depreciated.

Foreign currencies

Overseas companies' results are translated into sterling at average exchange rates and their balance sheets at year end exchange rates. Exchange differences arising from the translation of the opening balance sheets and results of overseas companies are dealt with through reserves. Exchange differences on transactions in foreign currencies are included in the profit and loss account.

Pension costs

The group operates three pension schemes, two providing benefits based on final pensionable pay and one based on the contributions made to the scheme. The assets of all schemes are held separately from those of the group in independently administered funds. Contributions to the defined benefits schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group. Contributions to the defined contribution scheme are charged to the profit and loss account as they become payable.

Dorchester Group Limited

Notes (continued)

1. Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Segmental analysis

No segmental analysis has been given in the financial statements.

Turnover

Turnover represents the amounts (excluding taxes) derived from the provision of goods and services to customers during the year.

2. Profit on ordinary activities before taxation

	2000 £000	1999 £000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging:</i>		
Auditors' remuneration		
Audit	168	165
Other services	119	102
Depreciation and other amounts written off tangible and intangible fixed assets	7,057	5,798
Rentals under operating leases:		
Land and buildings	283	191
Plant and machinery	36	37
	<hr/>	<hr/>
<i>after crediting:</i>		
Rents receivable and similar income from property	10,811	9,087
Profit on sale of tangible fixed assets	3	145
	<hr/>	<hr/>

The consolidated result for the financial year includes a profit of £2,530,000 (1999:£705,000) dealt with in the accounts of the company. In accordance with the exemption conferred by section 230 of the Companies Act 1985, the company has not published its own profit and loss account.

All of the Group's turnover except for rents receivable and similar income from property, disclosed above, is derived from hotel operations.

Dorchester Group Limited

Notes (continued)

3.	Remuneration of directors	2000	1999
		£000	£000
	Directors' emoluments:		
	Remuneration as executives	268	158

The aggregate of emoluments and amounts surrendered under long term incentive schemes, excluding pension contributions of the highest paid director were £160,000 (1999: £58,000). The highest paid director is a member of a defined benefits pension scheme, under which his accrued pension at the year end was £76,000 (1999: £44,000).

Retirement benefits are accruing to two (1999: two) directors under a defined benefits scheme. No directors received benefits under money purchase schemes.

4. Staff numbers and costs

The average number of persons employed by the group (including directors) during the year analysed by category was as follows:

	Number of Employees	
	2000	1999
Operations	1,073	971
Sales and Marketing	18	20
Administration	94	145
	1,185	1,136

The aggregate payroll costs of the group were as follows:

	2000	1999
	£000	£000
Wages and salaries	24,579	22,729
Social security costs	5,261	4,707
Other pension costs (<i>see note 20</i>)	819	1,129
	30,659	28,565

5. Interest receivable and similar income

	2000	1999
	£000	£000
On bank deposits	768	1,420
Other	1	73
Foreign exchange movements	614	-
	1,383	1,493

Dorchester Group Limited

Notes (continued)

6. Interest payable and similar charges

	2000 £000	1999 £000
On bank loans and overdrafts	1,750	1,974
Other	2,587	2,429
Foreign exchange movements	-	960
	<u>4,337</u>	<u>5,363</u>

7. Taxation

	2000 £000	1999 £000
United Kingdom corporation tax at 30%	1,404	-
Overseas tax	822	265
Other	(11)	-
Adjustment in respect of prior years	68	-
	<u>2,283</u>	<u>265</u>

The tax charge is disproportionately low due to the availability of losses brought forward and an excess of capital allowances over depreciation.

8. Tangible fixed assets Group

	Land and buildings £000	Plant and machinery £000	Fixtures and fittings tools and equipment £000	Assets in the course of construction £000	Total £000
Cost					
At beginning of year	435,163	13,901	19,424	24,049	492,537
Foreign exchange translation differences	20,494	137	845	36	21,512
Additions	363	760	1,435	15,483	18,041
Transfers	7,024	10,171	21,109	(38,304)	-
Disposals	(193)	(396)	(17)	-	(606)
At end of year	<u>462,851</u>	<u>24,573</u>	<u>42,796</u>	<u>1,264</u>	<u>531,484</u>
Depreciation and diminution in value					
At beginning of year	31,227	11,071	16,160	-	58,458
Foreign exchange translation differences	2,678	126	724	-	3,528
Charge	2,359	1,997	2,701	-	7,057
Disposals	(193)	(377)	(15)	-	(585)
At end of year	<u>36,071</u>	<u>12,817</u>	<u>19,570</u>	<u>-</u>	<u>68,458</u>
Net book value					
At 31 December 2000	<u>426,781</u>	<u>11,756</u>	<u>23,226</u>	<u>1,264</u>	<u>463,026</u>
At 31 December 1999	<u>403,936</u>	<u>2,830</u>	<u>3,264</u>	<u>24,049</u>	<u>434,079</u>

Dorchester Group Limited

Notes (continued)

8. Tangible fixed assets (continued)

The net book value of land and buildings comprises:

	2000 £000	1999 £000
Freehold	426,621	403,773
Long leasehold	160	163
	<u>426,781</u>	<u>403,936</u>

Land and buildings with a net book value of £341,645,000 (1999: £327,792,000) are not depreciated.

9. Fixed asset investments Company

	2000 £000	1999 £000
Investment in subsidiary undertaking at cost	136,770	136,770
Investment by means of share for share exchange	182,711	182,711
	<u>319,481</u>	<u>319,481</u>

The companies in which the company's interest is more than 10% are as follows:

Subsidiary undertakings	Principal Activity	Class and percentage of shares held and voting rights
United Kingdom		
Dorchester Hotel Limited	Hotel	Ordinary 100%
The Dorchester Limited	Private members club	Ordinary 100%
		Preference 100%
Dorchester Services Limited	Hotel management	Ordinary 100%
Audley Hotels and Resorts Services Limited	Hotel management	Ordinary 100%
Meurice Limited	Hotel investment	Ordinary 100%

All the above companies are incorporated in Great Britain, registered in England and Wales and included within these financial statements. The shares of Dorchester Hotel Limited, Dorchester Services Limited formerly known as Audley Hotels and Resorts Europe Limited, Audley Hotels and Resorts Services Limited and Meurice Limited are held directly by the company. The shares of The Dorchester Limited are held by Dorchester Hotel Limited.

During the course of the year the group completed formalities to liquidate Dorchester Jewellers Limited and New London Dorchester Jewellers Limited, two dormant subsidiaries.

United States of America

Sajahtera Inc, incorporated in USA	Hotel	Common stock 100%
Aman Inc, incorporated in USA	Commercial property	Common stock 100%
Raqib Inc, incorporated in USA	Commercial property	Common stock 100%

The shares of Sajahtera Inc are held directly by the company. The shares of Aman Inc and Raqib Inc are held by Sajahtera Inc.

Dorchester Group Limited

Notes (continued)

9. Fixed asset investments (continued)

	Principal Activity	Class and percentage of shares held
Italy		
Meurice SpA, incorporated in Italy	Hotel	Common stock 100%

The 13% of the shares of Meurice SpA previously held by the company in trust on behalf of Meurice Limited were transferred to Meurice Limited on 19th April 2000. Meurice Limited now directly holds 100% of Meurice SpA.

In the opinion of the directors the investments in the company's subsidiary undertakings are worth at least the amounts at which they are stated in the company's balance sheet.

10. Stocks

	2000	1999
<i>Group</i>	£000	£000
Consumables	1,608	2,263
Goods for resale	1,628	758
	<u>3,236</u>	<u>3,021</u>

There is no material difference between the replacement cost of stocks and their balance sheet amounts.

11. Debtors

	2000	1999
<i>Group</i>	£000	£000
Trade debtors	8,425	6,291
Other debtors	2,691	4,340
Prepayments and accrued income	1,096	1,116
	<u>12,212</u>	<u>11,747</u>

Debtors of £3,499,336 (1999:£ 1,034,000) are due after one year.

	2000	1999
<i>Company</i>	£000	£000
Loans to subsidiary undertakings at floating rates	63,771	44,419
Loans to subsidiary undertakings free of interest	31,545	36,584
Interest receivable on group loans	5,530	4,137
Other debtors	2	10
	<u>100,848</u>	<u>85,150</u>

Debtors of £95,316,266 (1999:£ 56,188,000) are due after one year.

12. Cash at bank and in hand

	2000	1999
<i>Group</i>	£000	£000
Short term deposits	6,286	13,959
Cash	15,697	9,924
	<u>21,983</u>	<u>23,883</u>

Dorchester Group Limited

Notes (continued)

12. Cash at bank and in hand (continued)

	2000	1999
<i>Company</i>	£000	£000
Short term deposits	1,000	8,750
Cash	2,737	601
	<u>3,737</u>	<u>9,351</u>

13. Creditors: amounts falling due within one year

	2000	1999
<i>Group</i>	£000	£000
Bank loans	5,985	11,027
Trade creditors	9,693	9,291
Taxation and social security		
- VAT and other sales taxes	1,172	1,231
- PAYE and other payroll taxes	1,277	1,081
- Other taxes	365	116
United Kingdom corporation tax	1,461	-
Overseas tax	2,775	2,058
Other creditors	640	1,361
Accruals and deferred income	1,603	1,593
	<u>24,971</u>	<u>27,758</u>

<i>Company</i>		
Trade creditors	40	2
Amounts owed to subsidiary undertakings	13,902	7,899
United Kingdom corporation tax	740	-
Other creditors	65	177
Accruals and deferred income	110	47
	<u>14,857</u>	<u>8,125</u>

14. Creditors: amounts falling due after more than one year

	2000	1999
<i>Group</i>	£000	£000
Bank loans	25,403	30,094
Loan from parent undertaking.		
The loan is unsecured, subordinated, interest free and not repayable before 2014	24,800	24,800
Loans from fellow subsidiary undertakings.		
The loans are unsecured and subordinated		
- interest free	41,633	41,633
- at floating rates	37,581	37,534
Accrued interest	14,032	12,162
Other creditors	443	331
	<u>143,892</u>	<u>146,554</u>

Bank loans are secured and subject to interest at floating rates linked to interbank rates of the country in which currency the loans are denominated, plus a premium ranging between 0.2% - 0.5%.

Dorchester Group Limited

Notes (continued)

14. Creditors: amounts falling due after more than one year (continued)

	2000 £000	1999 £000
Loans maturing between		
1 to 2 years amount to	-	5,513
2 to 5 years amount to	25,403	24,581
over 5 years amount to	118,046	116,129
	<u>143,449</u>	<u>146,223</u>

The maturity of all of the Groups' financial liabilities is shown below:	2000 £000	1999 £000
Loans maturing between		
In 1 year or less	5,985	11,027
1 to 2 years amount to	-	5,513
2 to 5 years amount to	25,403	24,581
over 5 years amount to	118,046	116,129
	<u>149,434</u>	<u>157,250</u>

	2000 £000	1999 £000
<i>Company</i>		
Bank loan	25,403	24,581
Loan from subsidiary undertaking	27,455	27,455
Loan from fellow subsidiary undertaking	41,633	41,633
	<u>94,491</u>	<u>93,669</u>

The bank loan is secured and subject to interest at a floating rate linked to the inter-bank rate of the country in which currency the loan is denominated, plus a premium of 0.5% and repayable in 2004.

The loan from the subsidiary undertaking is unsecured, subordinated, interest free and not repayable within one year. The loan from the fellow subsidiary undertaking is unsecured, subordinated, interest free and not repayable before 2014.

15. Provision for liabilities and charges

	Pension contributions £000	Meurice £000	Renovation of Hotel Other £000	Total £000
<i>Group</i>				
Balance at beginning of year	1,158	2,078	266	3,502
Utilised	-	-	(84)	(84)
Reversed	(4)	(2,078)	-	(2,082)
Balance at end of year	<u>1,154</u>	<u>-</u>	<u>182</u>	<u>1,336</u>

During the year the renovation of Hotel Meurice was completed and the provision has been released to the profit and loss account. Provisions for pension contributions are discussed in note 20.

Dorchester Group Limited

Notes (continued)

16. Reconciliation of movements in equity shareholders' funds

	Share Capital £000	Share Premium £000	Merger reserve £000	Profit and loss account £000	Total £000
<i>Group</i>					
Balance at beginning of year	120,009	182,711	72,668	(80,472)	294,916
Profit retained for year	-	-	-	17,459	17,459
Foreign exchange translation differences	-	-	-	17,883	17,883
Balance at end of year	<u>120,009</u>	<u>182,711</u>	<u>72,668</u>	<u>(45,130)</u>	<u>330,258</u>
<i>Company</i>					
Balance at beginning of year	120,009	182,711	-	9,468	312,188
Profit retained for year	-	-	-	2,530	2,530
Balance at end of year	<u>120,009</u>	<u>182,711</u>	<u>-</u>	<u>11,998</u>	<u>314,718</u>

17. Called up share capital

<i>Group and company</i>	2000 £000	1999 £000
Authorised Ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>
Allotted, called up and full paid Ordinary shares of £1 each	<u>120,009</u>	<u>120,009</u>

18. Financial commitments

<i>Group</i>	2000 £000	1999 £000
Capital commitments at the end of the financial year for which no provision has been made.		
Contracted	<u>606</u>	<u>15,922</u>

At 31st December 2000, the company had no financial commitments (1999:£nil).

Dorchester Group Limited

Notes (continued)

18. Financial commitments (continued)

At 31st December 2000, the group had annual commitments under non-cancellable operating leases as set out below:

	2000		1999	
	Land & Buildings £000	Other £000	Land & Buildings £000	Other £000
Operating leases which expire:				
Within one year	183	-	175	12
In the second to fifth years inclusive	-	37	-	37
Over five years	7	-	6	-
	<u>190</u>	<u>37</u>	<u>181</u>	<u>49</u>

At 31st December 2000 the company had no operating lease commitments (1999:£nil).

19. Unprovided deferred taxation

	2000 £000	1999 £000
<i>Group</i>		
Capital allowances in excess of depreciation	18,668	16,956
Overseas tax losses	(10,570)	(13,569)
Amortisation of United States intangible assets	(7,331)	(7,331)
Accrued interest expense	(3,860)	(3,860)
Other timing differences	461	(3,151)
	<u>(2,632)</u>	<u>(10,955)</u>

The company has no unprovided deferred tax requiring recognition in the financial statements.

Dorchester Group Limited

Notes (continued)

20. Pension scheme

The group operates two pension schemes in the United Kingdom, a defined contribution scheme and a defined benefit scheme. The schemes are funded and the assets of the schemes are held separately from those of the group in independently administered funds.

For the defined contribution scheme, contributions are charged to the profit and loss account as incurred.

The defined benefit scheme provides benefits based on final pensionable pay. The pension costs are assessed by a qualified actuary and are charged to the profit and loss account so as to spread those costs over employees' working lives with the group.

The valuation on which pension costs are assessed was carried out as at 6th April 1999, and the Projected Unit Method was used. The scheme's assets were taken into account at market value. It was assumed that the investment return would exceed the average salary increase by 1.75% per annum. At the valuation date, the market value of the assets of the scheme was £10.3m, representing 86% of the value of the benefits that had accrued to members, after allowing for future increases in earnings.

The employer contributed 12.5% of pensionable earnings to the scheme from 1st January 2000 to 31st March 2000 and 20.5% from 1st April 2000 to 31st December 2000 (1999: 12.5%). Contributions from employees remain at 4% of earnings. Contributions are based on pension costs across the group as a whole.

The combined pension charge for the period was £456,000 (1999: £714,000). The amount included within provisions for liabilities and similar charges at 31st December 2000 for the excess of the accumulated pension cost over the amount funded was £1,154,000 (1999: £1,158,000).

The group operates a defined contribution scheme in the United States of America. The scheme allows individuals to make pre-tax income contributions and provides for a profit-sharing contribution plus a partial matching by the company for all eligible employees. The group contribution to this scheme for the period was £363,000 (1999: £284,000).

21. Related party transactions

The company is a subsidiary undertaking of the Brunei Investment Agency, a statutory body incorporated in Brunei. Consequently, as a statutory body, related parties to the company include all Brunei government ministries, departments, agencies and their subsidiary undertakings and also include Bruneian citizens holding office within Brunei and its government.

The group provided hotel services to these related parties amounting to £947,000 (1999: £938,000). Amounts owed for these services as at 31st December 2000 amounted to £68,916 (1999: £2,666,000). Of these amounts owed at 31st December 2000 from Brunei Investment Agency related parties, £2,008,000 (1999: £2,008,000) was owed by Ernst Inc. A provision of £2,008,000 (1999: £2,008,000) has been made against these amounts owed as recoverability is uncertain.

The group occupies a building in London owned by a fellow subsidiary undertaking, on an annually renewable agreement. The total annual rent is £302,000 (1999: £240,000). It is estimated that the market rent of the building occupied is £510,000. Amounts owed for the rental, associated rates and services as at 31st December 2000 amounted to £17,000 (1999: £256,000).

During the year, the cost of seconded staff charged to the group by its ultimate parent company amounted to £43,000 (£1999: £78,000).

With the exception of the rental of the property, all other material related party transactions are contracted on commercial terms.

For details of related party financing, please refer to note 14.

Dorchester Group Limited

Notes (continued)

22. Reconciliation of operating profit to net cash inflow from operating activities

Continuing activities	2000 £000	1999 £000
Operating profit	22,696	12,828
Depreciation charges	7,057	5,816
Profit on sale of tangible fixed assets	3	(145)
(Increase) / decrease in stocks	(154)	49
Decrease in debtors	43	208
(Decrease) / increase in creditors	(515)	4,346
Increase in provisions	(2,166)	2
Net cash inflow from operating activities	<u>26,964</u>	<u>23,104</u>

23. Analysis of change in net debt

	At 1 st Jan 2000 £000	Cash flow £000	Other non cash movements £000	Translation differences £000	At 31 st Dec 2000 £000
Cash in hand and at bank	9,924	4,865	-	908	15,697
Short term deposits	13,959	(7,673)	-	-	6,286
Debt due within 1 year	(11,027)	4,691	351	-	(5,985)
Debt due after 1 year	(146,223)	5,042	(2,221)	(47)	(143,449)
Total	<u>(133,367)</u>	<u>6,925</u>	<u>(1,870)</u>	<u>861</u>	<u>(127,451)</u>

24. Reconciliation of net cashflow to movement in net debt

	2000 £000	1999 £000
Increase / (decrease) in cash in the period	4,865	(4,387)
Cash outflow from decrease in liquid funds	(7,673)	(12,209)
Cash outflow from decrease in net debt	9,733	16,726
Change in debt resulting from cash flows	<u>6,925</u>	<u>130</u>
Interest on debt accrued during period	(1,870)	(2,446)
Translation differences	861	2,961
Movement in net debt during period	<u>5,916</u>	<u>645</u>
Net debt at 1 st January 2000	(133,367)	(134,012)
Net debt at 31 st December 2000	<u>(127,451)</u>	<u>(133,367)</u>

25. Ultimate parent and controlling party

The immediate and ultimate parent and controlling party is the Brunei Investment Agency, a statutory body incorporated in Brunei.